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ARIZONA UNEMPLOYMENT COMPENSATION COMMISSION

REPORT

to the

GOVERNOR

COVERING PERIOD FROM JANUARY 1, 1938
TO DECEMBER 31, 1938, INCLUSIVE

Including Preliminary Report for an Eleven-Month Period, and Addenda Which Complete the Second Annual Report.

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Commissioners
JACK J. TAYLOR, Chairman
J. J. DURKIN, Member
W. ROY WAYLAND, Member

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TABLE OF CONTENTS

	Page
Introduction	5
Administration	9
Merit System	17
Employment Service	23
Field Section	27
Benefit Section	30
Accounting Department	34
Information Service	37
In-Service Training	39
Legal	41
Research and Statistics	43
Addenda	60

Note: for an explanation of the Addenda, see next page.

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February 1, 1939

HONORABLE R. T. (BOB) JONES,
Governor of Arizona,
Phoenix, Arizona

DEAR GOVERNOR JONES:

We have the honor to submit a report covering operations of the Arizona Unemployment Compensation Commission for the period from January 1, 1938 to December 31, 1938. This report consists of two parts: a preliminary report covering eleven months of operation, and the Addenda, which bring the report to a full twelve-month basis.

Due to the necessity of printing the preliminary report in full, the additional publication of a complete annual report would have been an item of unnecessary expense. In accordance with this commission's policy of economical operation, it was found advisable to complete the preliminary report by means of printed Addenda.

Respectfully submitted,

ARIZONA UNEMPLOYMENT
COMPENSATION COMMISSION.

J. J. TAYLOR, Chairman,
W. ROY WAYLAND, Member,
J. J. DURKIN, Member.

SUPERCEDED

INTRODUCTION

In eleven months of Unemployment Compensation benefit payments in Arizona, several salient developments assume importance. This report traces the many-sided activities of the Arizona Unemployment Compensation Commission, but emphasis must necessarily be placed on the amount of benefit payments and the response of the benefit fund; the inauguration of the Merit System of Civil Service; the reduction of administrative expense achieved; the placement activities; and the standard of work maintained.

The First Test

Opponents of unemployment insurance could scarcely have desired a more difficult test of the Arizona Unemployment Compensation Law than the circumstances which preceded and surrounded the first year of benefit payments.

Arizona's law was the last passed in the Nation which provided for payment of benefits commencing January 1, 1938. The Arizona administration had a shorter period of preparation than did the administrations of other states. Less time was available for thoroughly canvassing all covered employers, and determining that their contributions were paid into the unemployment benefit fund. For that reason the fund itself was under handicap.

Further difficulties were found within the Unemployment Compensation Agency. Internal dissensions, frequent changes in personnel, and unwise purchases of equipment added to administrative costs and made it doubtful, prior to the beginning of 1938, that benefits would be paid when due to the thousands of Arizona workers who had built up insurance rights.

After the administrative tangle had been straightened out at the beginning of the year and benefit checks began to flow out accurately and punctually, the newly-collected benefit fund was immediately subjected to the drain of a sharp business decline. The relapse popularly known as a "recession" brought heavy demands from unemployed men and women seeking benefits.

Yet the stability and solvency of the Unemployment Compensation program was thoroughly demonstrated. The ability of the unemployment benefit fund to meet its obligations and recover rapidly appears in the record (Table p. 43, Chart p. 51). Fortunately, the period of business decline was relatively short. It is not felt that the fund is yet large enough to be certain of coping with a severe depression. However, the insurance principle of Unemployment Compensation can be said to have proved itself in a time of stress.

Effect of Unemployment Compensation on Purchasing Power in the State

The service of Unemployment Compensation to business, as well as to the individual, also appears on the record. During eleven months of benefit payments over 22,000 individuals received benefit checks. An amount of $1,775,126.96 has been disbursed into all parts of the state in 150,182 checks averaging $11.82 each. This average ranks among the highest in the nation. (It should be noted that the figure given above, $1,775,126.96, is the total of benefit checks written during the period, and does not take cancelled checks into account.)

These figures indicate that Arizona is getting definite results from its unemployment insurance program. One of the salient features of the program is that this disbursement of money aids the unemployed in all in-

dustries, and as a consequence the distribution is even throughout the State; that is, it is even so far as unemployment by industrial classification exists. As a natural result of the program the disbursement is largest where unemployment is heaviest. This should have an extremely beneficial effect on the State's total purchasing power, but it is still too early to do more than estimate the actual effects coming from release of these checks.

An incidental but none the less extremely valuable by-product of Unemployment Compensation is the large amount of heretofore undeterminable statistics being developed. A significant amount of data concerning labor turn-over and unemployment hazards and experiences, classed by industry, are being revealed. Today there is much greater knowledge of labor conditions, unemployment trends, sterilized industries, and potential fields for industrial expansion throughout the nation as a result of the many state unemployment insurance programs.

Placement Work

In addition to the problem of paying benefits, there is a second important function performed by the Employment Service Division: placement of unemployed workers in suitable employment. As soon as an insured worker is laid off or loses his job, he goes to the nearest State Employment Service office. There he makes application, both for work and Unemployment Compensation benefits. An interviewer establishes his record of previous experience and training in order to have information as to what kind of position the applicant can fill efficiently. If a suitable job is open he will immediately be referred to it. If he gets the job, he will not, of course, receive out-of-work benefits.

As provided by law, claimants who refuse suitable employment are subject to disqualification for benefits. Throughout the Unemployment Compensation law, emphasis is placed on the importance of work, rather than benefits.

Comments will be hereinafter submitted in this report covering the accomplishments of the Employment Service Division.

Integration of Divisions

The Social Security Board has insisted that a unified program be adopted, covering the operations of the Unemployment Compensation and Employment Service divisions. In other words, the service staffs should be consolidated so as to eliminate duplication and to establish more adequate co-ordination which will result in more economical and effective operation. The unification has not been fully adopted at this time.

Inauguration of the Merit System of Civil Service

Midway in the year, with benefit payments in full operation, the Unemployment Compensation division was brought under the Merit System, with a resulting personnel turn-over of 74 per cent. This sizable administrative problem, however, proved to be the beginning of a new era. Under the Merit System the Arizona Unemployment Compensation Commission is now ranked as one of the first in the nation in maintaining its operations on a current and efficient basis. Under the Merit System, too, a less-numerous but more energetic corps of workers has engineered savings of 37.3 per cent in operating expense, without loss of efficiency.

The difficulties of handling this large personnel turnover will be apparent to any business man. The new employees were well-qualified—they

had to be in order to qualify on the basis of experience and education and to place highest on the basis of written, oral, and practical performance tests. Even the best qualified new employees, however, must be fitted into an organization, and must learn small but important details which are found in a mechanism as complex as an unemployment insurance agency.

The problem was met by a rapid-fire training program (an integral part of any Merit System, designed to increase the efficiency of already-qualified persons) which succeeded in bringing about absorption of the new group without a hitch. In the unemployment compensation division, 76 Merit System employees assumed the operations formerly allotted to 113. Throughout the organization, service began showing immediate improvement.

Although Merit System examinations for the Employment Service Division (including positions from the grade of Junior Interviewer up) were held beginning June 25, 1937, prior to the adoption of the present **Regulations for Merit System** by the Commission, this division now functions under the Regulations. Both divisions are thus brought under uniform personnel rules.

Reduction of Costs

The proof of any system of operation appears most clearly in its financial statements. In the Unemployment Compensation Commission, five months' experience with the Merit System and simplification in procedures in local offices has brought about budget reductions of 37.3 per cent.

The full view of these savings is best seen by considering three six-month periods. First, the initial six months of 1938; this period was followed by the six months which is almost finished as this report is written, a period during which the agency operated with a Merit System personnel; finally, there is the six-month period yet to come, for which our administrative costs are defined by budget requests. The first and third periods provide comparable bases for considering costs, both representing the first half of the year.

During the first six months of 1938 budgets for the two divisions of the commission, Unemployment Compensation and Employment Service, were $218,645. For the first six months of 1939 budget requests are $137,114. During the intervening period the quarterly costs show the downward trend which culminated in the first-half-1939 budgets.

Work Maintained on a Current Basis

Evidence of the fact that budget cuts were not accomplished at the expense of efficiency is found in the currency of agency operations. From personal observations of agency supervisors, and reports from the Social Security Board, it is evident that the Arizona commission is in the nation's vanguard—both in Employment Service placements and promptness in claims payments. Concrete comparisons are difficult to make between states, but all indications show that few if any state agencies can point to better records.

Employers Approve Work

Further evidence that work of the agency has improved, particularly from the employer viewpoint, is found in the fact that covered employers of the state have gone on record as approving the manner in which our

functions have been carried out. In a recent questionnaire, answered by employers, 540 out of 553 who had been contacted by members of the Field Staff reported that these contacts had been on a courteous and co-operative basis. Seventy eight per cent of these employers registered their approval of the present Unemployment Compensation law. Twenty-two per cent suggested changes which they believed would improve the law. Only 2.8 per cent of these suggested outright repeal .

While it is our belief that many difficulties have been overcome and much progress made, there is no inclination within the Unemployment Compensation agency to regard our work as finished or perfect. Many problems remain to be ironed out. Ability of the organization to increase efficiency and lower costs points the way to even greater efficiency and possible additional savings. It is concluded at present that a job is being done and that a closely-knit organization, capable and enthusiastic, has been set up.

ADMINISTRATION

Duties and powers of the three-member commission are defined in Section 11 of the Law as follows:

"Section 11. ADMINISTRATION. (a) Duties and powers of the commission. It shall be the duty of the commission to administer this Act; and it shall have power and authority to adopt, amend, or rescind such rules and regulations, to employ such persons, make such expenditures, require such reports, make such investigations, and take such other action as it deems necessary or suitable to that end. Such rules and regulations shall be effective upon publication in the manner, not inconsistent with the provisions of this Act, which the commission shall prescribe. The commission shall determine its own organization and methods of procedure in accordance with the provisions of this Act, and shall have an official seal which shall be judicially noticed. Not later than the first day of February of each year, the commission shall submit to the Governor a report covering the administration and operation of this Act during the preceding calendar year and shall make such recommendations for amendments to this Act as the commission deems proper. Such report shall include a balance sheet of the monies in the fund in which there shall be provided, if possible, a reserve against the liability in future years to pay benefits in excess of the then current contributions, which reserve shall be set up by the commission in accordance with accepted actuarial principals on the basis of statistics of employment, business activity, and other relevant factors for the longest possible period. Whenever the commission believes that a change in contribution or benefit rates will become necessary to protect the solvency of the fund, it shall promptly so inform the Governor and the Legislature and make recommendations with respect thereto."

Paragraph D of Section 11 provides the following in respect to personnel:

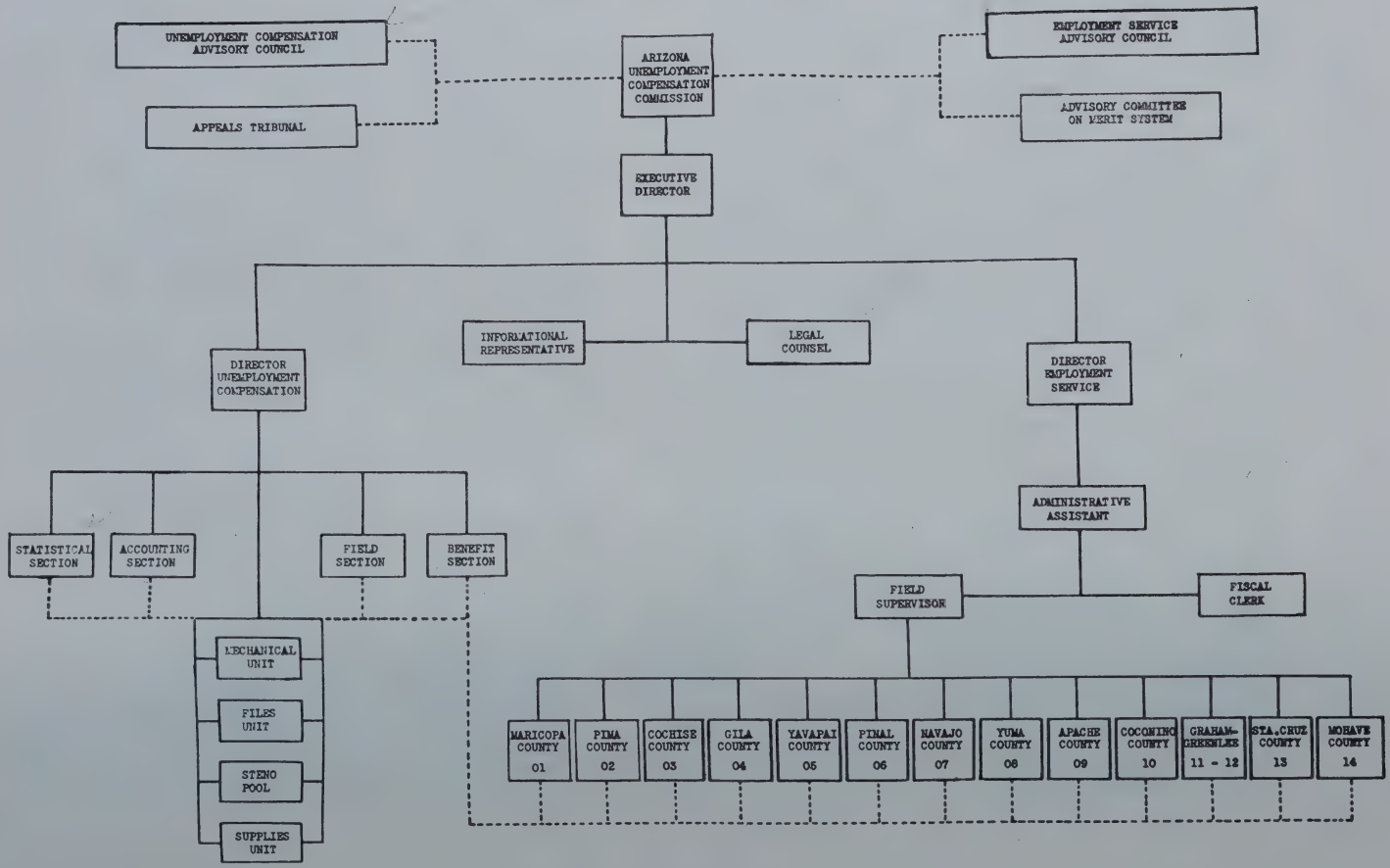
"(d) Personnel. Subject to other provisions of this Act, the commission is authorized to appoint, fix the compensation, and prescribe the duties and powers of such officers, accountants, attorneys, experts, and other persons as may be necessary in the performance of its duties. All positions shall be filled by persons selected and appointed on a non-partisan merit basis. The commission may delegate to any such person so appointed such power and authority as it deems reasonable and proper for the effective administration of this Act, and may in its discretion bond any person handling monies or signing checks hereunder."

During the early part of the year 1938 serious administrative difficulties were encountered which necessitated changes in the methods of administration of the organization to alleviate unsatisfactory conditions then existing. The Commission met this situation by first employing an Acting Chief Executive with full power and authority to make the necessary changes in the agency to establish a more efficient and economical organization. The Acting Chief Executive position was retained until July 7, when the Commission established the position of Executive Director, which was filled by the previous Acting Chief Executive. The responsibility of this position was clearly defined in the following resolution:

"WHEREAS, the State Unemployment Compensation Advisory Council did, by Resolution, duly adopted at its meeting held July 6, 1938, request that the Commission appoint F. H. Stapleton Executive Director, and

"WHEREAS, the name of Frank H. Stapleton appears as number one on such certified list,

ARIZONA UNEMPLOYMENT COMPENSATION COMMISSION
ORGANIZATION CHART



"IT IS THEREFORE RESOLVED, that there is hereby created the position of Executive Director to whom there is hereby delegated the following powers, duties, and responsibilities:

"1. Under the administrative supervision and with the consent and advice of this Commission, to coordinate, direct and do any and all things necessary to supervise the conduct of the two coordinate divisions established by the Arizona Unemployment Compensation Law of 1936, as amended.

"2. The Commission designates the Executive Director as the supreme administrative officer of the Commission to which all heretofore created or designated executives and personnel shall be subordinate. The Executive Director shall submit to the Commission, in conformity with the merit plan adopted by the Commission, his recommendations as to the employment, retention, promotion, demotion and dismissal of all personnel in the employment of this Commission.

"BE IT FURTHER RESOLVED, that in conformity with its policy of making all appointments from the certified list of personnel under the Merit Plan, and upon the advice and at the request of the Unemployment Compensation State Advisory Council, Frank H. Stapleton, be, and he hereby is, given probationary appointment to the position of Executive Director for this Commission, such appointment to be effective as of July 7, 1938."

Beginning June 10, merit examinations were held for the purpose of establishing all personnel on a merit basis in the organization. Upon completion of the examinations, it was found that 74 per cent of the personnel in the Unemployment Compensation Division had failed to qualify, making it necessary to replace these persons with individuals who qualified as a result of successfully passing the examinations. This problem of integration presented an extremely difficult task from an administrative standpoint. The problem of employing and training the new personnel was met by those formerly on the staff who qualified under the Merit System, who had a full realization of the need for their cooperation.

The integration was completed without retarding the progress of the Agency, and steady improvement has been noted in administration, from the viewpoint of both efficiency and economy. This latter is evidenced by the fact that administrative costs have been reduced 37.3 per cent in the last six months of operation. In order to establish the efficiency and savings in operating costs which were accomplished, it has been the constant aim of the administration to simplify procedure and integrate functions in the Employment Service and Unemployment Compensaton Divisions. We have also changed the method of employer reporting from monthly to a quarterly basis which has met with a very favorable reaction from the employers of the State. This has reduced the amount of work necessary in auditing the employer contribution reports. There will be further simplification of employer reportng shortly after January 1, 1939.

The Social Security Board has insisted, and good administration demands, that there be a complete unification of the two Divisions in so far as possible, to eliminate duplication of functions. This is to be accomplished without either division losing its identity. While a decided improvement has been made toward this unification, there are still further problems that must be worked out. These problems have all been met squarely, with the thought in mind that their solution will tend to increase efficiency and reduce operating costs.

It is again pointed out that there are two coordinated divisions: the Unemployment Compensation Division established for the purpose of

paying benefits; and the Employment Service Division, whose function is to find jobs for the unemployed. These two divisions are set up under an Executive Director whose responsibility it is to carry out the policies of the Commission in the administration of the law and to coordinate activities of the two Divisions. There is presented on Page 10 an organization chart showing the structure of the organization as of the date of this report. The Unemployment Compensaton Division now has 76 employees, and the Employment Service 53 employees, or a total of 129 employees as compared with 186 employees as of March 31, 1938.

The volume of work has remained fairly constant since March, 1938. While it is true that there has been a small decrease in the number of claims handled, this change has been offset by additional work required as a result of the Railroad Retirement Act, which transfers all wage credits of railroad employees to the Railroad Retirement Board as of July 1, 1939. There are additional problems of placement and registrations in the Employment Service Division, and additional work in building records for employer merit rating.

Commission

The Commission has not thus far had regular meeting dates. However, meetings have been held when conditions arose that required approval by the Commission on recommendations made by the Executive Director, or to establish policies which the Commission deems necessary in the proper administration of the law. The law provides for a commission of three members to be appointed by the governor for terms of two, four, and six years, respectively; and thereafter each new member, other than an appointment to fill a vacancy, shall be appointed for a period of six years; vacancies on said commission to be filled for any unexpired term. Each such member shall receive as compensation the sum of one thousand dollars per annum.

This section of the law was held unconstitutional by the Arizona Supreme Court in a decision handed down as of June 6, 1938. This decision makes it mandatory that Commissioners' terms shall expire coterminous with that of the governor. An amendment has been proposed which will establish the Commission in accordance with the intent of the legislature and further to establish as compensation the sum of six hundred dollars per annum for their services.

Executive Director and Coordinate Divisions

As previously mentioned, the Executive Director is charged with the responsibility of supervising the coordinate divisions of the agency. The attitude of the Commission in this regard is that there should be one person responsible for the activities of both Divisions in order to eliminate the duplication of two Division heads reporting to the Commission. Good administration recognizes this function. Furthermore, as the Commission members do not devote their whole time to the affairs of the Agency, it is obvious that they should be relieved of unnecessary detail, much of which can be handled by the Executive Director, subject to approval of the Commission, without usurping the time of the Commission members. Necessary changes will be recommended for presentation to the Legislature to carry out the wishes of the Commission in establishing the Executive Director as a coordinating head.

Advisory Council

The law provides that the Commission shall appoint a State Advisory Council and local Advisory Councils composed in each case of an equal

number of employer and employee representatives who may fairly be regarded as representative because of their vocations, employment, or affiliations, and of such members representing the general public as the commission may designate. Such councils shall aid the commission in formulating policies and discussing problems related to the administration of this Act and in assuring impartiality and freedom from political influence in the solution of such problems. Such advisory councils shall serve without compensation, but shall be reimbursed for any necessary expenses.

The members of the Advisory Council for the Unemployment Compensation Division are as follows:

A. A. Johns, Chairman	Prescott
Sidney Bartels	Phoenix
Earl Rooks	Tucson
C. B. Loomis	Miami
R. R. Brown	Douglas
Frank Stockton	Tucson
D. J. Benchoff	McNary

This Advisory Council met on July 6, 1938 for the purpose of reviewing the problems of the Agency and to make recommendations which they deemed necessary. One of the important recommendations made was that the law be amended to cover all employers of one or more persons. In this connection, the necessary amendment will be submitted to the Legislature. The following resolutions were adopted:

1. The Advisory Council approved the action of the Commission in the adoption and consummation of the merit plan for the selection of personnel and urged that the Commission strictly adhere to it and that all appointments of personnel for the Commission be made from a certified list of personnel under the plan.

2. The Advisory Council commended the Commission on its administration of the Agency and stated that it was in full accord with each and all the policies of the said commission and further that the said policies were effectuating an impartial administration of the Act and that the Advisory Council wished to express to the members of the Commission its commendation and approval of the manner in which the Arizona Unemployment Act was being administered.

3. It recommended to the Commission that it forthwith inaugurate a study for the development of statistics, concerning changes in the law broadening its provisions so as to give the benefits of the Act to every workman in the State of Arizona save domestic servants and workers in a truly agricultural occupation.

4. It commended the Commission for having appointed an Acting Chief Executive and commended the Acting Chief Executive for the efforts expended by him and the accomplishments attained as the result of such efforts. The Council further urged that the Commission appoint the Acting Chief Executive as Executive Director under the Merit Plan.

It is contemplated at this time that an Advisory Council meeting will be held before the end of the year. At that time all amendments will be submitted for their consideration and for whatever recommendations they may desire to have incorporated in the proposed amendments. Opportunity will also be given for the presentation of any policies which they desire to be inaugurated by the Commission.

The Advisory Council for the Employment Service Division is composed of the following members:

James D. Walkup, Chairman	Flagstaff
Alleen Sawyer	Gilbert
Jacob Barth	St. Johns
James Whetstine	Prescott
Edwin C. Gracey	Phoenix
Sara Tiffany	Phoenix
Andrew P. Martin	Tucson
Cotton Murray	Phoenix

The Advisory Council held a meeting in Phoenix June 17, 1938, and elected Mr. Walkup chairman and Mrs. Sawyer vice-chairman. They discussed problems of the Service and resolved to do what they could to further its interest in their respective communities.

Administrative Costs

It should be understood that the major portion of all funds necessary for the cost of administration come from the Social Security Board. The exception to this is the amount of Wagner-Peyser Funds given to the State for the purpose of defraying a part of the administrative costs of the Employment Service. This sum aggregates $12,500 per year. The provisions of this Act provide that the State must match dollar for dollar the Federal funds received. This requires that Arizona match the $12,500 per annum received through the Wagner-Peyser Grant. Before a state can receive any grants from the Social Security Board to defray administrative costs, it must comply with Section 303a of the Social Security Act. This Section provides as follows:

"Sec. 303. (a) The Board shall make no certification for payment to any State unless it finds that the law of such State, approved by the Board under Title IX, includes provisions for

"(1) Such methods of administration (other than those relating to selection, tenure of office, and compensation of personnel) as are found by the Board to be reasonably calculated to insure full payment of unemployment compensation when due; and

"(2) Payment of unemployment compensation solely through public employment offices in the State or such other agencies as the Board may approve; and

"(3) Opportunity for a fair hearing, before an impartial tribunal, for all individuals whose claims for unemployment compensation are denied; and

"(4) The payment of all money received in the unemployment fund of such State, immediately upon such receipt, to the Secretary of the Treasury to the credit of the Unemployment Trust Fund established by section 904; and

"(5) Expenditure of all money requisitioned by the State agency from the Unemployment Trust Fund, in the payment of unemployment compensation, exclusive of expenses of administration; and

"(6) The making of such reports, in such form and containing such information, as the Board may from time to time require, and compliance with such provisions as the Board may from time to time find necessary to assure the correctness and verification of such reports; and

"(7) Making available upon request to any agency of the United States charged with the administration of public works or assistance through public employment, the name, address, ordinary oc-

cupation and employment status of each recipient of unemployment compensation, and a statement of such recipient's rights to further compensation under such law."

The budget requests by quarters for the year 1938, and for the six months ending June 30, 1939, have been submitted as follows:

	Division		
	Unemployment Compensation	Employment Service	Total
January-March, 1938	$68,791.61	$46,556.67	$115,348.28
April-June, 1938	78,115.95	40,837.71	118,953.66
July-September, 1938	74,521.82	37,680.00	112,201.82
October-December, 1938	51,821.56	32,667.31	84,488.87
January-June, 1939	83,934.53	66,180.34	150,114.87

You will note that there has been a substantial saving in these budget requests since the adoption of the Merit System and a partial unification of the administrative functions. The administrative costs or expenditures from these budget requests are presented in the following tabulation:

For the period from January 1, 1938 to November 30, 1938:

	Division		
Category	Unemployment Compensation	Employment Service	Total
Personal Service	$144,880.79	$99,193.51	$244,074.30
Supplies Consumable	10,804.14	3,838.72	14,642.86
Communications Expense	13,291.48	4,313.80	17,605.28
Travel Expense	14,454.15	14,030.72	28,484.87
Rent of Premises	6,294.41	12,046.38	18,340.79
Other Current Expenses	24,857.28	4,254.73	29,112.01
Equipment	15,271.25	2,233.34	17,504.59
TOTAL EXPENDITURES	$229,853.50	$139,911.20	$369,764.70

The difference between the budget requests and the expenditures represents the savings that have been made by the Agency, thus leaving an unexpended balance to be carried forward in the subsequent quarter.

All states that have been paying benefits since January 1 are now authorized to submit budgets on a six-month basis. The budget request for the Arizona Agency necessary to defray operating costs for the six months ending June 30, 1939 aggregates $150,114.87. For the same period for 1938 the budget request aggregated $234,301.94, or a difference of $84,187.07. This represents a saving of 37 per cent.

The Social Security Board has insisted that administrative costs be reduced to ten per cent of the total monies collected as contributions. From a recent study made of budgets presented by the various states, it is evident that this has been a tremendous problem for the Social Security Board. In practically all states the administrative costs are well over the ten per cent yardstick which the Social Security Board has attempted to apply. There are many problems which make it difficult to bring the administrative costs within the ten per cent, particularly in Arizona, where there is a wide area and where there are other problems such as farm placement, itinerant service, number of local offices, etc. It might be well to mention that Arizona costs have been reduced to 11.7, a lower percentage than shown by the majority of states now paying benefits.

Our endeavors to reduce administrative costs have brought favorable comments from both the Regional Office and the Social Security Board in Washington. Upon completion of the unification program which the Commission has in mind, the administrative costs of the Arizona Agency will be very near the ten per cent allowance.

Relationship with Social Security Board and the United States Employment Service

Representatives from the Agency have attended various conferences during the year. This has afforded opportunities to interchange ideas with other states and representatives of the Social Security Board and the United States Employment Service. These meetings have been very helpful and have furnished valuable material which has lessened administrative problems. Relations with these Governmental Agencies have, in most instances, been very satisfactory. There have been minor difficulties on budget items, academic differences in procedure, etc., but generally these differences have been straightened out to the entire satisfaction of all concerned. The Agency has in no instance called upon these Agencies for assistance or additional funds which have not been granted. It is apparent that they fully realize the problems of this Agency and have given their full support.

Relationship with other State Agencies

The program of paying benefits has been in effect eleven months, during which time there has been an increase in feeling that there should be a closer coordination between the other allied programs, such as Works Progress Administration, Welfare, etc. While splendid cooperation has been manifest from these other agencies, it is obvious that closer coordination and understanding should be effected. Every effort will be made to bring about closer coordination and an understanding of the program affecting unemployment during the coming year.

MERIT SYSTEM

Much credit for administrative savings by the Unemployment Compensation Commission must go to the selection and maintenance of personnel under strict Merit System of civil service rules. An efficient body of workers with tenure of office is considered of paramount importance in an agency such as the one set up by the Arizona Unemployment Compensation Law of 1936. It affords an opportunity for career service to employees. Administration of unemployment insurance is a complex, highly-organized activity, and operation without trained personnel is comparable to construction of a precision motor without skilled mechanics to operate it.

Administration of the Merit System under the Unemployment Compensation Commission was placed directly in the hands of a non-partisan committee selected by the Commission. Members of the committe are Mr. E. W. Montgomery, Mr. Edwin C. Gracey, and Mr. Claude Thomas. Activities of the Advisory Committee on Merit System are controlled by the Regulations for Merit System adopted by the Commission on March 4, 1938. The organizing meeting of the Advisory Committee was held April 25, 1938. Mr. E. W. Montgomery was elected chairman, and Mr. Edwin C. Gracey was elected secretary.

Pursuant to Rule III, Section 1, Clause (1) of the Regulations, the Advisory Committee appointed Mr. Samuel T. Adams as Supervisor of Examinations, and instructed him to prepare plans for putting into effect the Merit System Regulations. The examination program for the Unemployment Compensation Division was carried out between May 1 and July 1, 1938.

Questions used in the written examinations were prepared in Washington, D. C., by the Social Security Board, following a detailed study of problems peculiar to Arizona. The Arizona Unemployment Compensation Law of 1936 was used as a basis for specific questions on unemployment insurance.

Merit System examinations for the Employment Service Division were held in 1937, beginning June 25. Although these examinations took place prior to adoption of the Regulations for Merit System by the Commission, this division is now operating under the Regulations.

Written examinations for Employment Service personnel were held in Phoenix, Tucson, and Flagstaff on June 25 and 26, 1937, under the direction of Dr. Grady Gammage, of the Arizona State Teachers' College at Tempe. Oral examinations were held in Phoenix August 19-28, and in Tucson and Flagstaff August 30 to September 4. 850 individuals applied for positions under these examinations. A total of 550 took the written tests, of which 300 qualified for the oral examinations.

Believing the Merit System to be an important factor in administration of the Arizona Unemployment Compensation Law, the Commission is pleased to reproduce herewith a considerable portion of a report by the Advisory Committee on Merit System, covering the examination program held this year.

Summary of Examination Program

The offices of the Advisory Committee and the Supervisor of Examinations were established, separate from those of the Commission, at 420-422 Homebuilders' Building, Phoenix, Arizona. The Examination Program was carried out by the following schedule:

1. May 1, 1938: Announcement of Examinations.
2. May 31, 1938: Closing Date for Applications.
3. June 10-11: Written Examinations for all Classifications.
4. June 22-28: Oral Examinations.
5. June 29-30: Certification from all Registers completed by these dates.
6. July 2: Performance tests for Typists and Stenographers.
7. July 5: Certification from Typist and Stenographer Registers.
8. July 6-31: Completion of records for future use in Personnel matters.

Announcement of Examinations

Announcement of examinations for 31 classifications of positions was made May 1, 1938, and a period of four weeks was allowed for receiving applications. Announcement was made by press, radio, and by publicly posted bulletins. Such bulletins were sent to all newspapers, colleges, high schools, labor unions, post offices, Y. M. C. A. and Y. W. C. A. offices, commercial schools, fraternal and civic organizations in the state, and to public officials.

Closing date for receipt of applications was May 31, 1938. Approximately 5,000 application forms were sent to prospective applicants.

Acceptance of Applications

2,248 completed forms were filed with the Supervisor of examinations. Upon the receipt of completed application forms, the blank was dated and time stamped, and given an identification number. It was then checked to determine whether or not the applicant possessed the required minimum qualifications for admittance to the examinations. Of the 2,248 applications received, 1,971 were accepted. Those applicants rejected either failed to show minimum experience qualifications, or failed to apply before closing date.

Written Examinations

Written examinations were conducted in Phoenix, Tucson and Flagstaff June 10 and 11. Examination material was prepared by the Bureau of Unemployment Compensation, Social Security Board, Washington, D. C. Experienced proctors supervised the administering of the tests in Arizona. Applicants numbering 1,661 appeared for these examinations. (This figure represents number of candidacies, not number of persons: many sat for more than one examination). Seventy withdrawals were recorded. Identification of papers was by number only, candidates having been sent admittance slips bearing identification numbers.

The scoring procedure for the written examinations was as follows:

(1) Stencils or templates of cardboard, showing correct answers, were made from scoring keys, following completion of all examinations. These were used in marking papers.

(2) The raw score, or number of correct answers, was determined.

(3) Raw scores were converted into percentile scores for each classification, the 70th percentile representing the lowest passing score. Thus 30 per cent of the candidates in each classification made passing scores; the lowest raw score becoming 0 per cent, the highest 100 per cent.

Oral Examinations and Performance Tests

To candidates successfully passing the written examinations, admission slips to oral tests or performance tests were sent. 510, or 30.7 per cent of the candidacies were successful in passing the written examinations.

The Advisory Committee named to the Oral Examining Board the following persons: Dr. Waldo E. Waltz, University of Arizona, Chairman; Mr. C. W. Pensinger; and Mr. Frank Luther. In the case of the oral tests, as in the written, applicants were identified by number only; and examiners disqualified themselves if they were personally acquainted with any applicant.

Performance tests for stenographers and typists were held July 2, 1938, at the three examination centers.

Certification for Appointments

Registers of eligible persons were prepared for all classifications following the completion of the examinations. From these registers names were certified for appointment according to the following plan:

(1) In classifications in which one position was to be filled, the three highest names were certified.

(2) In classifications in which more than one position was to be filled, the number of positions was multiplied by five, and the result divided by three, to determine the number of highest names to be certified.

This plan is as provided in the Merit Regulations, Rule VII, Section 6.

A fifteen day period was allowed for action upon certification of eligibles, following which the Certificates were returned to the Advisory Committee.

Records of Eligible Lists

The Supervisor of Examinations has prepared the following files and records of eligibles:

(1) Register card file: A card for each eligible person giving pertinent information; filed by classifications, and by standing on register within the classification.

(2) Register list: A bound folder of lists of eligibles for each classification, with notations concerning action taken in the cases of those certified for appointment and those appointed.

(3) Eligible folder file: A file of manila folders, one for each eligible, arranged by classifications and by standing on register within each classification; each folder contains the application, the written and oral examination, and recommendations concerning the eligible persons.

These files will be kept by the Advisory Committee on Merit System; and future requests for certifications, in cases of vacancies, wil be filled by the Advisory Committee.

Classification and Compensation Plan

Following is the classification plan, together with the salary ranges and levels agreed upon by the Arizona Unemployment Compensation Commission and the Bureau of Unemployment Compensation, Social Security Board:

ARIZONA UNEMPLOYMENT COMPENSATION COMMISSION

Division of Unemployment Compensation

Title of Position	Salary Ranges and Levels
Executive Director	(To Be Determined)
Director	(To Be Determined)
Attorney	$275-290-305-325
Chief of Benefits	210-220-230-245-260
Principal Claims Deputy	180-190-200-210
Senior Claims Deputy	150-160-170-180
Junior Claims Deputy	130-135-140-145-150
Claims Clerk	110-115-120-125-130
Appeals Referee	190-200-210-220
Chief Field Adviser	180-190-200-210
Field Adviser	150-160-170-180
Statistician	190-200-210-220
Statistical Clerk	125-130-135-140-145-150
Informational Representative	180-190-200-210
Chief Accountant	210-220-230-245-260
Accountant	160-170-180-190
Accounting Clerk	110-115-120-125-130-135
Supervising Tab. Mach. Operator	145-155-165-175
Tab. Mach. Operator	115-120-125-130-135-140
Key Punch Operator	95-100-105-110-115
Duplicating Machine Operator	100-105-110-115-120-125
Bookkeeping Machine Operator	100-105-110-115-120-125
Senior File Clerk	100-105-110-115-120-125
Junior File Clerk	80- 85- 90- 95-100
Senior Stenographer	130-135-140-145-150
Intermediate Stenographer	115-120-125-130
Junior Stenographer	100-105-110-115-120-125
Clerk	100-105-110-115-120-125
Typist	90- 95-100-105
Telephone Operator	90- 95-100-105
Messenger	65- 70- 75

It will be noted that no regular interval for salary increases has been provided. Rule V, Section 3, Paragraph 7 (Page 10) of the Regulations for Merit System provides that: "Regular annual or semi-annual periods shall be established for the review of all employee records for purposes of salary advancements, following the regular service ratings of employees, and salary advancements within the class shall be made only at those periods."

Recommendation:

It is the recommendation of the Advisory Committee that, within budget limitations, the period for salary increase determinations be set at six months, (with the exception of the first period) subject to the approval of the Arizona Unemployment Compensation Commission and the Bureau of Unemployment Compensation, Social Security Board. It is

recommended that the first period terminate either December 31, 1938, or March 31, 1939, as may be suitable from a budgetary standpoint.

Employees who were in the employ of the Commission prior to the installation of the Merit System, and who were receiving higher salaries than the minimum provided in the plan, have not had those salaries reduced upon successfully passing the examinations and receiving appointments.

Recommendation:

The Advisory Committee recommends that in these cases, no increase shall be made in salary until a sufficient number of salary increase periods shall have passed to bring those employee's terms of service, **under the Merit System,** to the point at which they would be entitled to a further increase, had they entered the service as new appointees following the merit examinations.

Summary

Adoption of the Merit Plan for the personnel of the Arizona Unemployment Compensation Commission has resulted in high personnel standards, and through such standards increased efficiency and economy have been obtained.

Commendation of the Merit System and its far-reaching effect was placed before the public in an editorial appearing in the Phoenix Gazette on September 13, 1938, as follows:

"STATE GETS MERIT EMPLOYEES.

"Arizona has made a commendable start in applying the Merit System of selecting its public employees in one of its state departments—The Arizona Unemployment Compensation Commission.

"A practical demonstration of the possibilities for improvement has been made and is being made by this agency.

"J. J. Taylor, Chairman, J. J. Durkin, and W. Roy Wayland, members, make up the commission appointed by Gov. R. C. Stanford to set up and direct the work of this important unit in the state's economic stability.

"The commission has paid unemployed Arizona workers more than $1,333,000.00 in compensation under the state job insurance law in a little more than seven months of actual payment of benefits.

"Claims are now being paid promptly and regularly by this department.

"But this has been brought about only after a trying period in which it seemed that the hopes of the unemployed workers to obtain the payments due them upon their unemployment insurance were to be wrecked by squabbles and ineffectiveness within the agency.

"When the state unemployment compensation commission met March 3 to attempt to find a way out of its difficulties, the commissioners agreed that they needed an executive into whose hands they could place the agency with directions and authority to get action. They hired Frank H. Stapleton, of the U. S. Treasury Department, who had been here since about the first of the year as consulting accountant to the agency. He was familiar with the needs. They gave him full authority to carry out their responsibilities.

"The commissioners agreed to set up and install a Merit System of selecting employees, immediately the pressing duties of getting benefit payments under way was accomplished.

"The existing organization with a few eliminations and minor changes in personnel was given intensive training. Simplification of procedures was effected, and others needed were set up.

"Job insurance checks shortly began to flow regularly and punctually to the unemployed upon eligible claims.

"Costs of getting the job done were excessive, however, with top-heavy charges for personnel salaries.

"The commission named an advisory committee on personnel to choose and direct a supervisor of examinations, who was to arrange for and give Merit System examinations to select qualified persons for employment with the commission. From these persons who qualified for the employment register, the commission agreed to select its employees.

"E. W. Montgomery was named chairman of this committee, with Edwin C. Gracey and Claude Thomas as members. S. T. Adams was named supervisor of examinations.

"Plans for the installation of the Merit System were completed and the examinations announced May 1, examinations given June 10 to 15. With employment registers set up, changes to Merit System employees were made in July. Those employees who had been with the agency since Jan. 1, and who had passed the examinations were retained.

"A 64 per cent turnover in employees came, however, through the elimination of those within the organization who had failed to pass the examinations. Of 1,900 applicants who met entrance requirements to take the examinations, 510 passed. Of these 477 met oral and performance tests and were placed on the register. The commission chose replacement employees from the top of the register under uniform rules. Stapleton, high man in the examinations for executive director, was named executive director.

"Intensive training was given the new Merit System employees and the flow of checks to the unemployed continued regularly with the number of employees reduced by 29, from 113 to 84. Payroll budgets have been reduced by one-third. In the employment service division the number of employees was reduced by 17.

"A Merit System as it is being administered and directed by the Arizona Unemployment Compensation Commission, its officers and employees deserves the careful study of every Arizonan, with the thought of wider application."

EMPLOYMENT SERVICE DIVISION

The Arizona State Employment Service Division assumed many new duties and much additional work as of January 1, 1938. As a coordinate division of the Arizona Unemployment Compensation Commission, this Service and additional personnel from the Unemployment Compensation Division were utilized in the work of receiving benefit claims from unemployed workers. Because of the heavy load of claims in the early part of the year, some of the usual functions of an employment service had to be reduced to enable the personnel to properly serve claimants. Full employment service functions have been gradually re-established.

When the requirements of paying benefits for Unemployment Compensation are greatest the task of placing workers is most difficult, since fewer jobs are available. The chart on Page 57 shows a drop in placements early in the year, with a large increase in the last few months. Each month from January to August showed fewer placements than were made by the offices (State Employment Service and National Reemployment Service) throughout the state in 1937. In September they were about the same, while in October and November the total was greater than for the corresponding months last year.

Personnel

It is interesting to note that despite the fact that the Social Security Board granted funds for the expansion of the Employment Service to care for the increased amount of work done, the actual number of people now working in this division is less than was supplied by the United States Employment Service, and the affiliated State Service when the National Reemployment Service offices covered Arizona outside of Maricopa County. Actually, therefore, the offices are not expanded. In the peak period in the first three months of this year, seventy-five employees were on the pay roll.

All persons in technical positions in the Employment Service personnel—from Director to Junior Interviewer—have been holding their appointments under the Merit System examinations which were conducted by the United States Employment Service in 1937. Certain other personnel in the non-technical positions came under the Merit System when the examinations were given in June, 1938, under the provisions of the Commission's Merit Plan.

At the beginning of the year the Employment Service and Unemployment Compensation Division personnel in the field offices operated as separate units; however, after July 1 of this year, the personnel of both divisions in the field was placed under the supervision of the Manager or Interviewer in charge of the employment office. Complete unity of purpose and cooperation has been the result with substantial reductions in operating costs.

United States Employment Service Cooperation

The cooperation afforded this Service by officials of the United States Employment Service, under the provisions of the Wagner-Peyser Act, has been excellent.

A trip was made by the Director in May for the purpose of conferring with United States Employment Service officials in Washington, and to participate in the convention of the International Association of Public Employment Services. Much good was derived from this trip, as

many ideas were secured in the meetings and discussions with Directors from other states. While the Director was in Washington, the personnel of the United States Employment Service was very helpful in clearing up problems concerning the budget, procedures, and personnel.

Activities

The primary function of the Employment Service is to get men and jobs together as quickly as possible. While the placements in Arizona in the early part of the year were below the figures established the year before, this state was well up in percentage of placements to the active file of registered workers. The peak of the recession, which commenced in the fall of 1937, was in effect by January, 1938. There were less job opportunities; consequently placements decreased. It is significant, however, that the percentage of private placements over public placements was greater throughout the year. Commencing in August, a decided increase in employment took place, resulting in a great increase in placements.

The field visiting program, which entails contacting employers for the purpose of determining their employment needs, while greatly curtailed in the first half of the year, has increased materially since July, and it is believed that this activity is largely responsible for the increase in placements.

A Junior Division has been established in the Phoenix office for the purpose of counseling and placing in desirable employment the youths having no previous work experience.

A training project in cooperation with the Works Progress Administration has been established for the purpose of training domestic help, as there has been noted a shortage of available registrations in this classification.

Cooperation with the Veterans Placement Service, as provided in the Wagner-Peyser Act, has been satisfactorily carried out. With the help of Governor R. C. Stanford, who proclaimed the week of November twenty-first to twenty-sixth as Veterans Placement Week, the division worked with all of the larger veterans' organizations in urging the employment of men over forty.

Through cooperation with the Farm Placement Service, provided under the Wagner-Peyser Act, better control over the influx of migratory workers—particularly cotton pickers—was established. Uncontrolled advertising throughout the country, which has gone on in years past, was reduced, and it is believed that the usual large surplus of unemployed cotton pickers left in Arizona at the end of the season will not be in evidence this year. Full cooperation has been received from the Farm Labor Service, the Farm Bureau, and other agricultural associations.

The division has cooperated with the Department of Vocational Rehabilitation of the State Department of Education, and the Arizona Vocational School in the placing of their trainees.

A professional society, the International Association of Public Employment Services, was established to further interest in employment service and to foster a professional spirit and attitude. One hundred per cent of the personnel of the Arizona State Employment Service holds membership in this Association, establishing Arizona as one of the few states completely represented.

Claim taking activities by local offices are as follows:

January 1 to November 30, 1938

	Original Claims	Continued Claims
1. Phoenix	9,022	60,475
2. Tucson	4,565	35,688
3. Bisbee	2,500	23,401
4. Globe	2,408	24,072
5. Prescott	1,610	15,157
6. Casa Grande	1,376	10,705
7. Yuma	1,307	7,753
8. Flagstaff	1,176	8,300
9. Safford	921	8,571
10. Kingman	750	4,668
11. Winslow	606	5,175
12. St. Johns	425	2,056
13. Nogales	318	2,485
Total	26,984	203,506

Finances

In preparing the budget, regulations formerly required the submission of a quarterly request for funds. The new regulations provide that states having paid Unemployment Compensation benefits for at least six months, and otherwise satisfactorily handling their budgets, may submit budgets semi-annually. Arizona is one of these states. The budget for the Employment Service Division, after being approved in Arizona, must have the approval of both the United States Employment Service and the Social Security Board.

Funds for the operation of the Employment Service are derived from four sources, viz: 1. The Legislative appropriation from the General Fund of the State of Arizona; 2. Contributions received from other political subdivisions of Arizona; 3. A matching of the funds under items one and two by the United States Employment Service, as provided by the Wagner-Peyser Act; 4. Funds from the Social Security Board for the expansion of the Employment Service to assist in payment of unemployment compensation through public employment offices.

On Page 26 there is presented a summary statement of cash receipts and disbursements of the Employment Service Division for the period from January 1, 1938 to November 30, 1938.

Importance of Placement Work

The measure of success of the Unemployment Compensation program depends a great deal upon the effectiveness of the Employment Service Division. A combined program of attack is essential in the problem of unemployment. A strong, well organized program of placement service must be established which will prove more and more valuable to the Unemployment Compensation Division.

The chart on Page 57 indicates the progress that has been made in both private and public placements.

The accomplishments in each district for the period under review are tabulated on Page 56.

All unemployed workers should register with the Employment Service. This makes readily available a constant inventory of workers who are available for job opportunities. The number of registrations taken during the period is shown on Page 58.

It is necessary to furnish itinerant services in certain parts of the state where local offices have not been established. To furnish some idea as to the problem of travel involved and number of towns served in this part of the program, an itinerant map is presented on Page 59.

The importance of building a strong placement service is again reiterated to point out that during good times job opportunities are presented which create a demand for placing workers in suitable employment.

A definite educational program is being established which will tend to increase the demand of employers upon the Employment Service. A service which, as time goes on, they will realize stands ready to act as a personnel division of industry ready and willing to extend a full measure of cooperation.

EMPLOYMENT SERVICE DIVISION

Statement of Receipts and Disbursements

January 1, 1938 to November 30, 1938

Cash on Hand January 1, 1938		$ 23,077.46
Receipts		
Wagner-Peyser Fund	$ 12,575.86	
Social Security Board	107,051.44	
State of Arizona	12,500.00	
Local Contributions	235.00	
Total Receipts		132,362.30
Total Receipts and Beginning Balances		$155,439.76
Disbursements		
Personal Services	$ 99,193.51	
Equipment	4,785.39	
Other Expenses	39,052.69	
Total Disbursements		143,031.59
Cash on Hand November 30, 1938		$ 12,408.17
Applied as follows:		
Reserve for Unliquidated Encumbrances		2,494.51
Unencumbered		9,913.66
		$ 12,408.17

FIELD SECTION

Functions

The personnel of the Field Section acts in an advisory capacity to employing units on all phases of the law, particularly regarding the purpose of the law and the proper manner of keeping payroll records and making reports. This section secures reports and contributions from newly subject and delinquent employers.

Information regarding employing units which may be subject is secured from the Arizona Industrial Commission, Arizona State Mine Inspector, Arizona Corporation Commission, U. S. Collector of Internal Revenue, publications, personnel of Employment Service local offices, claimants for benefits, and other sources.

Payrolls of employers are audited to determine if they are correctly reporting wages payable. This is one of the most important functions of the section. In addition to audits of inactive employers and exempt employing units, the payroll records of 1,803 active employers have been audited since January 1, 1938. Additional contributions received as a result of these audits have more than paid the cost of operating the Field Section. These reports have also enabled many unemployed individuals to secure the full benefits to which they are entitled.

All employer reports pertaining to contributions which are received in the Central Office are audited in detail. There is also maintained a current account showing the status of each employer's account.

Progress

The activities of the Field Section prior to 1938 consisted primarily in securing initial reports and contributions from subject employers. The Field Section has made a continuous effort to create a sound public relationship with employers and each member of the personnel reports a much more favorable attitude toward the law and the personnel of the Commission than was evidenced by the employers in general a year ago.

The First Annual Report one year ago showed there was a total of 3,134 active employers on January 1, 1938, and an estimated total of 3,500 subject to the law. At the date of writing this report, there is a total of 3,423 active employers registered.

The number of employers delinquent in reports and/or contributions has been reduced and the total delinquency as of November 30, 1938, was approximately $58,866.60 or 1.5 per cent of total contributions received to date.

There has been established a systematic method in efforts to reduce the delinquents. The delinquent employer is sent three notices regarding his delinquency and if possible a personal call is made after which his account is referred to the Legal Department for consideration and civil action.

In 1938 Field Advisers were assigned to districts and they now make their base of operations at the most advantageous point in the district.

Monthly meetings have been scheduled for the personnel of the section. At these meetings consideration is given the work to be accomplished, results obtained, problems encountered in the field, and best methods of securing desired results.

SUMMARY, ACTIVITIES OF FIELD ADVISERS
MONTH OF NOVEMBER, 1938

Item	E. T. Blake	R. O. Kelly	R. L. McNeice	L. R. Pond	C. L. Walmsley	Total
No. Days Worked	20	17	21	21	21	100
Completed Assignments	92	69	59	55	55	330
New Accts.						
No.	6	16	11	5	8	46
Amt. Due	$478.21	$1,710.65	$2,187.24	$170.18	$901.45	$5,447.73
Audits	36	32	21	24	21	134
Supplemental Contributions Secured:						
No.	9	2	2	5	5	23
Amt.	$140.77	$59.35	$110.37	$546.17	$403.21	$1,259.87
Contribution Reports Secured:						
No.	25	27	21	13	19	105
Amt.	$851.08	$1,947.53	$3,128.67	$979.46	$1,722.27	$8,629.01
Contributions Collected:						
No.	25	19	15	11	8	78
Amt.	$689.30	$1,414.29	$2,305.24	$671.99	$387.47	$5,468.29
Travel Expense	$141.16	$97.53	$194.47	$50.03	$66.18	$549.37

Formerly Field Advisers were sent to various parts of the state to complete a certain phase of their work which appeared important at the time. Under the present system they perform all parts of their duties when they are in a locality, thereby better utilizing their time and reducing travel expense.

Formerly it was necessary for the Field Advisers to make a number of daily reports. Some of these have been found to be duplications or to be unnecessary and have been eliminated, thereby allowing the Field Advisers to spend more time on productive work.

Until recently the Field Advisers worked independently of the Employment Service. Under present procedure they call on the local manager of an Employment Service office when in his territory, and receive reports on any employing unit which should be reporting. The Field Adviser then calls on the employing unit to determine whether the firm is exempt or subject to the law.

A summary of the activities of the Field Advisers during the month of November, 1938, appears on opposite page.

BENEFIT SECTION

Benefit Payments

Since the first claims for benefits were received January 3, 1938, the Benefit Section has processed 28,874 initial claims. Of this number 23,820 were declared valid and went on to draw weekly benefits; 4,882 were found invalid due to insufficient earnings, non-covered employment, etc. There were 150,182 benefit checks, totaling $1,775,126.96, mailed to 22,500 persons, the average check being $11.82, an amount which is the second highest in the nation. These checks have been mailed without delay since Arizona first went on a current basis in March of this year.

Benefit Payment Procedure

Under the law, claims for unemployment compensation are to be filed weekly at a State Employment Office. Field offices of the State Employment Service are located in each of the fourteen counties of the state except Greenlee. (The Greenlee and Graham offices were recently combined in Safford.) Itinerant service is maintained to outlying towns from the county seat, in addition to which mail claims are taken. Itinerant and mail claims account for more than half the total of such counties as Mohave, Graham, Santa Cruz, and Apache.

Claims filed at local offices are forwarded to the Central Office in Phoenix, where International Business Machine equipment is used to process the claimants' wage credits which are the basis for benefit payments. Penalties may be assessed for voluntary separation or discharge for cause, which add one to five weeks to the claimant's waiting period. The waiting period is ordinarily of two weeks' duration after which weekly payments are made until the claimant obtains work or his benefit credits are exhausted. This involves weekly registration at the local employment office, filing a claim, processing the claim at the Central Office, and mailing a check to the claimant.

Multi-State Procedure

A problem was presented by workers who had worked in one state but had become unemployed in another. This problem is being met by an Inter-state Benefit Plan which establishes a procedure for taking claims at employment offices of an agent state and forwarding them to the liable state.

As it applies in Arizona, claims taken here against other states are forwarded through the Central Office. Claims against the State of Arizona are received at the Central Office, processed there, and checks mailed to the out-of-state claimants.

Naturally, more trouble is experienced in handling this type of claim due to the unfamiliarity of agent state offices with Arizona procedure and requirements of the Arizona Law. More efficiency is steadily being attained in this regard by systematic exchange of information with other state agencies and through direct correspondence with out-of-state claimants.

Protests and Appeals

The fullest opportunity for protest is given under the Law to both employers and workers. In the worker's case, dissatisfaction with a penalty or with the benefit credit computed for him, can be translated into a

protest to the Principal Claims Deputy who investigates the matter and communicates his decision to the individual.

The claimant has a further recourse in appeal to the Appeals Tribunal which consists of a salaried examiner and a representative each of employers and employees. Other than a unanimous decision may be taken before the Commission and thence, if necessary, to the courts.

Similarly, an employer is notified as an interested party if benefits are about to be paid to an ex-employee. He has ten days to protest such payment and his protest may be carried through similar channels. A commentary on the ability of the organization to handle claims to the satisfaction of both employers and workers is seen in the insignificant number of cases reaching the Appeals Tribunal—only three to date.

Progress

Since there was no precedent in the United States for the establishment of Benefit Payment Procedures, the methods used had to be evolved through trial and error.

The Benefit Section has worked out and revised more than twenty different forms used in the taking, processing, and paying of claims. Basically, these are separable into claim forms, wage and payment records, and form letters, which are suggested from time to time by members of the operating staff.

The most important trend has been toward the increased use of mechanical equipment in the processing of claims and the greater responsibility of the local offices in keeping records and forwarding them. Formerly, the claims were filled out at the local offices, but all computing and reviewing was done at the Central Office. Since the introduction of a simple card record, by which benefit payment records are kept at local offices, there has been less misunderstanding which called for correspondence and necessitated delays in benefit payments.

Greater efficiency in the work of local offices has also resulted from their reorganization which placed Unemployment Compensation and Employment Service employees under the same roof and under a single office manager. What were formerly three separate offices in Phoenix are now combined in a single unit.

Since claims are no longer reviewed and computed by the Central Office Claims Clerks, use is now made of the International Business Machine equipment which not only runs the checks but keeps individual records of balances and practically eliminates the possibility of overpayments. A very great saving in labor and increase in efficiency has been apparent and development along this line is being continued. A method of taking claims on cards which may be run directly into the International Business Machines may be placed in operation.

The greater efficiency in benefit payment procedure has been reflected in fewer complaints by workers, and a reduction in the work of the Central Office which has to do with their investigation. The amount of correspondence on complaints has been reduced by nearly one-half since the month of June.

Future Changes in the Law

The Benefit Section has been in a position during the past eleven months to observe closely the operation of the Law, particularly from the claimant's point of view.

During that time, opinion has been seen to crystallize in favor of certain changes tending toward liberalization and simplification of the Law. Particularly it is seen necessary to ease requirements for eligibility, allow for increased occupational coverage, and make possible an easier understanding of workers' rights under the Law. Most of the dissatisfaction with the present law arises from the fact that only about one-half of the workers in the state are covered, and many are unable to understand how their credits are computed and their eligibility determined.

By covering employers of one or more employees, instead of three, as recommended in a proposed amendment to the Law, the work of this section would increase in volume, but a great many complaints and their resulting investigation would be eliminated.

The Benefit Section has constantly urged simplification of the present law. A proposed change in the Law will substitute a simple table based on earnings during the past year for the complicated determination now in use which takes a base period, a qualifying period, and a special division by quarters of earnings, to obtain benefit credits. This determination, which most workers cannot understand, has been found to breed suspicion and distrust.

A further simplification is proposed to confine the waiting weeks which must be served by a claimant to a single period before benefit payments first begin. A seemingly unfair provision of the present law makes it necessary to serve two more weeks if reporting weeks are interrupted and more than thirteen weeks intervene since the first waiting period. Many claimants who thus obtain work for a week or two, or are otherwise unable to report, are penalized two weeks.

From a standpoint of efficiency in the work of the Benefit Section, all of these proposed changes in the law will be highly beneficial. From the public relations standpoint as well, we may expect to derive benefits therefrom.

Railroad Unemployment Insurance

Under this Act which was signed by the President on June 25, 1938, a national system of unemployment insurance was set up for railroad workers beginning July 1, 1939. At that time, railroad employees will cease to be covered by the Arizona Law and their accounts will be transferred to an agency of the Railroad Retirement Board.

The Benefit Section is at present segregating the benefit payment accounts affected, to determine the amounts to be transferred. It will probably involve a loss of 15 per cent or more to the fund, and a corresponding loss in number of workers covered.

Summary

Procedures used by the Benefit Section have been in a constant flux, because of changes made for increasing operating efficiency. Due to increased coordination between Employment Service and Unemployment Compensation personnel, to the betterment of personnel standards, through operation of the Merit System and In-Service Training, and to better coordination between local and central office functions by use of mechanical International Business Machine equipment, a high standard of efficiency has been reached and maintained in the payment of benefits.

Future changes in the law will increase efficiency and further good public relations, but will necessitate further changes in the benefit payment procedure. A working agreement with the Railroad Retirement Board may permit continued handling of claims for those covered by the Railroad Unemployment Compensation Law.

The benefit payment load passed its peak for the year in June with 18,147 pay orders for $211,517.13 being mailed to claimants. It is expected to rise again during the first months of 1939 due to former claimants being again eligible for benefits in a new year. The present operating personnel will be able to take care of a reasonable increase in the load.

ACCOUNTING DEPARTMENT

UNEMPLOYMENT COMPENSATION DIVISION

Finances

The functions of the Accounting Department are divided into two main heads, namely:

(a) Administering and accounting for Receipts and Disbursements of Administration Funds.

(b) Accounting for Receipts and Disbursements of Compensation Funds.

These two funds are entirely separate and distinct, and consequently the accounting work is handled separately although under the supervision of one accounting head.

Administration Fund Accounting: Operating Expenses

The Accounting Department is charged with the responsibility of properly handling and accounting for the entire Administration Fund. This comprises the following functions:

1. Request for Budget Allotment: A Budget Request is prepared and submitted by the Accounting Department to the Social Security Board through its Regional Office at least sixty days prior to any budegtary period. This request is reviewed by the Executive Director and the Regional Office in Denver. The request is forwarded to Washington, together with the recommendations of the reviewers. When approved in Washington, the Department of Grants notifies this office that a certain grant has been allotted, and sends a copy of the approved budget. A check covering the amount of the grant is forwarded directly to the State Treasurer, who deposits this to the credit of our Administration Fund.

2. Allotment Ledger: Upon receipt of the approved budget, the Accounting Department opens a separate Allotment Ledger covering the budgetary period under consideration and credits to each separate category the amount available for expenditure in that category during the period.

3. Purchases: All purchases are made through the Accounting Department, based upon requests made by department heads. However, at all times, before an order is placed, a check is made to see if the purchase is in accordance with the approved budget and to see if money is available for such purpose. On all large orders, where price is a factor, at least three bids in writing are secured. Efforts are made to spread purchases among local concerns throughout the State. Nothing is purchased outside Arizona which can be obtained within the State. The Commission has ruled that all printing must be done by Union print shops in Arizona.

The Social Security Board makes a periodic audit of all encumbrances and purchases made. An over-expenditure or the purchase of an unauthorized item would be quickly picked up and the Accounting Department is held responsible for this error. Many times, the purchases made are strictly within budget authorization, but payment is refused by the State Auditor on the basis of a State Regulation running contrary to expenditures allowable by the Social Security Board.

4. Preparation and Audit of Claims: Presentation of Claims for Payment and Distribution of Checks.

All Claims against Administration Funds are prepared by the accounting department subject to final audit. Every claim is checked to see that the purchase or expenditure was properly authorized. Every item is checked to see that merchandise has been actually received or services actually rendered. Difficulty is sometimes encountered in our revolving imprest Fund for necessary travel advances, postage, etc., due to the fact that several weeks may be necessary for the State Auditor's office to process and make payments against our claims. At least once a year all these claims are audited by representatives of the Social Security Board to see that money has been used as authorized. Some duplication of effort is unavoidable, since the State Auditor's office again audits these claims. All checks at present are made out by the State Auditor, countersigned by the Governor, and returned to this office for entry in the Warrant Register and distribution to the proper claimant.

5. Expenditure Reports and Summary Reports: at the end of each budgetary period an Expenditure Report is made by the Accounting Department direct to the Social Security Board through its Regional Office, showing the ultimate disposition of all allotted funds. Summary Reports and Statements of Condition are requested from time to time, and General Ledger Accounts and Controls are carried over all Administrative Fund Receipts and Expenditures.

6. Equipment Records: The Accounting Department is required to maintain at all times a complete record of equipment. Separate records and reports are necessary to comply with State and Federal rules.

7. Stock and Supply Control Records: The Accounting Department maintains a system of stock control which presents the following information:

1. Present inventory on hand.
2. Periodical consumption.
3. Previous purchases; Order Number; Quantity and price paid.
4. Estimated minimum and maximum stock.

A requistition system is used coupled with a perpetual inventory stock card record which is handled by a stock clerk.

The Administrative Accounting Department is handled by an Accounting Clerk under the immediate supervision and direction of the General Accountant.

Compensation Trust Fund Accounting

Responsibility for the receipt and disbursement of these funds is divided into several different departments:

1. Field Department—which handles field work and correspondence in connection with Employer Accounts, and makes field audits.

2. Cashier's Department—which handles the actual receipt and recording of all employer's contributions, interest and penalties, and the depositing of these funds with the State Treasurer.

3. Benefit Department—which handles all the disbursements of Benefit Funds through the processing and payment of benefit claims.

In all of these different departments the Accounting Department functions only in a supervisory or coordinating capacity.

A complete system of internal audit is in effect to insure proper administrative accounting and financial control.

It should be understood that these funds are held in trust by the United States Treasury Department subject to withdrawal for payment of benefits.

There is presented below a Statement of Financial Condition as of November 30, 1938 of the Arizona Unemployment Compensation Division.

Arizona Unemployment Compensation Division
Statement of Financial Condition as of November 30, 1938
Assets

Administration Funds			
State Auditor Administration Fund		25,115.85	
Imprest Fund		1,000.00	
Total			26,115.85
Reserves and Balances			
Reserve for Unliquidated Encumbrances		5,500.94	
Unencumbered Allotment		16,215.74	
Balance Available for Re-allotment		4,399.17	
Total Reserves and Balances			26,115.85
Unemployment Compensation Trust Funds			
Cash			
Cashier's Account—Cash on Hand		860.00	
Clearance Fund—State Treasurer		16,853.61	
Unemployment Trust Fund—U. S. Treasury		1,845,681.27	
Benefit Fund—Valley Bank	127,715.70		
Benefit Fund—State Treasurer	50,000.00	177,715.70	
Total Cash			2,041,110.58
Receivables—Returned Checks			762.05
Benefits Paid			1,772,284.30
Total Assets			3,814,156.93

Liabilities

Reserves:	
Employers' Contributions	3,752,128.48
Interest on Employers' Contributions	7,560.55
Interest on Unemployment Trust Fund	54,467.90
Total Liabilities	3,814,156.93

INFORMATIONAL SERVICE

Functions

The Informational Service is in charge of the Informational Representative, responsible to the Executive Director, with the duty of disseminating information to interested individuals or groups. Difficulties of administration are greatly enlarged by public misunderstanding, since close cooperation of employers and employees with the Commission is a necessity. Such cooperation is not readily secured unless the purposes and provisions of the law are generally understood.

Experience has demonstrated that the law is administrable even though complete public understanding has not been secured, but every increase in knowledge of the law must inevitably be reflected in greater ease of operation.

Informational and public relations functions are only partially distinct, and the Informational Service has responsibilities for both. Publicity for its own sake has not been sanctioned or desired; publicity concerning provisions of the law, for the purpose of spreading information, has been stressed.

Staff morale and information within the organization have received attention by the Informational Service, through training courses and issuance of a monthly bulletin.The Informational Representative functions also as In-Service Training Supervisor, and has given considerable time to planning and making effective a long-term training course based on operating needs of the agency.

Informational material disseminated from the agency is directed at three well-defined groups; employers, employees, and the public at large

Employers

Employers, particularly the larger firms, probably constitute the best informed group. They have been reached through instructions which have accompanied forms, and through correspondence. Brief explanatory pamphlets have been used, as well as circular letters explaining employers' relationships with Unemployment Compensation.

Additional information has reached employers through speeches at luncheon clubs, and through the usual media of newspapers and radio. During the latter part of 1938, emphasis has been given to placing informational material directly in the hands of interested groups.

Employees

Employees typically lack interest in specific provisions of eligibility until they become separated from employment. Many employers state that their employees have had opportunity to inspect material concerning the law, but that they do not know whether the employees have a full understanding of their rights.

A series of articles in labor publications was inaugurated by the Informational Service in July, with the purpose of directly reaching employees. These weekly articles have been published regularly by the labor papers, and are being continued. Pamphlets for workers have been written or revised recently in a further effort to spread knowledge of the law.

General Public

Education of the general public, a slow process at best, has been steadily furthered by newspaper and radio publicity and by talks given before clubs and other organized groups. Emphasis has necessarily been given toward spreading information most thoroughly among covered workers and employers, whose cooperation is urgently needed. General Education through the press is being carried on, and the Commission has received splendid cooperation from newspapers throughout the state. The radio has been utilized to an extent consistent with the inability of the Commission to purchase radio time. Radio activities of the Informational Service have been greatest when anniversaries and new developments heightened the news value of informational material.

Space devoted to Unemployment Compensation by Arizona newspapers has averaged 12,900 agate lines per month during 11 months of 1938, for an estimated total during the period of 242,560 agate lines.

Requests for Information

An important function of the Informational Service is answering requests for information which come from other state agencies, students, workers, and employers. Information is most frequently requested on the following subjects:

Credit of contributions against federal tax.
Status of employer's merit rating account.
Requests for copies of the law and annual report.
Legal opinions and rulings.
Benefit payment procedure.

Relationship to Agency Staff

For the purpose of increasing staff interest in general problems of unemployment insurance, a weekly news bulletin has been published by the Informational Service with fair regularity during 1938. Present plans call for publication of a more comprehensive bulletin on a monthly basis.

IN-SERVICE TRAINING

Purpose

In-Service Training, designed to increase the knowledge and efficiency of already-qualified employees, is an integral part of the Merit System of civil service. Employees of the Commission are expected to fit themselves by study and experience to show ever-increasing aptitude. Through increased understanding of work of the entire agency, they are also expected to improve public relations and bring group-thinking into use in solving agency problems.

Supervision of Training

Supervision of In-Service Training for the Arizona Unemployment Compensation Commission is a responsibility of the Informational Representative. He is aided in his duties by all section supervisors, and is directly responsible to the Executive Director. During July and August a preliminary training program was put into effect by the Executive Director.

Preliminary Program

Immediately subsequent to July 1, 1938, there were in the organization two distinct groups of employees: an older, experienced group, which had a good conception of unemployment insurance but nevertheless needed much additional training; and a group of new employees who were well-qualified for their particular positions but showed urgent need of general education in the entire scope of the program.

The problem was met by a preliminary training course carried out during July and August. Topics discussed were:

1. The Merit System of the Arizona Unemployment Compensation Commission.
2. The Responsibilities of Supervisory Officials of the Arizona Unemployment Compensation Commission.
3. The Background and Organization of the Arizona Unemployment Compensation Commission.
4. Contacts with the Public.
5. Methods of Employment Service Division in Relation to Unemployment Compensation Division.
6. Administrative Methods and Channels of Organization.

As the new employees had not at that time reached a point at which they could contribute largely to solving agency problems, meetings took the form of lectures by the supervisors.

Long Term Course

Objectives of the long-term training course now in operation in the Arizona Unemployment Compensation agency are stated as follows:

1. Increased skill and efficiency in individual jobs.
2. Development of uniform procedure.

3. Preparation for future promotions within the agency.
4. Provision of a source of detailed information for future training of new employees.
5. Coordination of agency divisions: better understanding of mutual responsibilities.
6. Provision of information on which to base simplification of procedures.
7. Increased understanding of the background, history and possible development of Unemployment Compensation and its place in the general Social Security program.

A paramount consideration in the long-term course is the necessity of basing training directly on operating needs. The course is therefore founded primarily on a thorough analysis of each position. In addition to job analysis, there are two other underlying bases: systematic study of the law, and a study of public relations as applied to every section and individual in the organization.

Studies are sectionalized to further link instruction with operating needs. Weekly meetings are held by each section of the agency. A general staff meeting, held monthly, acts as a clearing house for questions and discussions which develop in group meetings. Greater coordination is thus achieved between the studies and discussions of individual sections.

Results of Training

Gratifying progress in suggesting improvements of procedure and methods of bringing the parts of the organization into closer cooperation has been achieved through job analysis. Problems have been suggested which will be given further consideration. Perhaps the best evidence that employees of the Commission have an increased interest in improving performance is found in the activities of staff members in extension and night school courses. At least 15 individuals in the organization are carrying on such studies in addition to the In-Service Training program. Intense interest in the entire field of Social Security is shown in the large number of requests for study materials which come to the Training Supervisor from employees.

It is the intention of the Commission to maintain at all times an organized training program for the purpose of bringing about further increases in efficiency of operation.

LEGAL DEPARTMENT

Responsibilities

The legal department conducts all legal work for both the Employment Service and the Unemployment Compensation Divisions, and is counsel for the commission. The Attorney is responsible for representing the agency before hearings or investigations in all cases arising under the law and in any civil action to enforce the law. In many instances, liability cases are also determined by the legal department, particularly those involving the question of whether or not an independent contractor relationship exists, or whether or not a business is organized exclusively for one of the purposes exempt from liability under the law.

Appeals

Section 6, subsections c, d, e, and f of the law provide for an appeals procedure. A detailed plan has been written covering the steps necessary for a claimant to follow in all appealed cases. It is significant that since the inauguration of benefit payments, only three appeals have been heard. The attorney for the agency does not represent the agency in appealed cases, but acts in an advisory capacity to a responsible person in the agency who has been designated to handle appeal matters. It is his duty, however, to represent the Commission should the appeal be carried to the Courts.

Seasonality

The law recognizes that the problem of paying benefits to workers engaged in seasonal industries is somewhat different from the problem of paying benefits to those workers who are normally engaged in industries operating the entire year. Section 3, subsection (K), of the law relative to seasonal employment, is quoted as follows:

> "Seasonal employment. Whenever in any employment it is customary to operate because of climatic conditions or the seasonal nature of the employment only during the regularly recurring period or periods of less than forty-four weeks duration in any calendar year then benefits shall be payable only on account of unemployment occurring during the regular period or periods of such seasonal employment, and no benefits shall be paid for unemployment occurring or existing during the seasonal period or periods of unemployment."

Hearings have been conducted to determine seasonality of the following industries during the past year:

Cotton Ginning; Citrus Packing and Citrus Canning; Lumbering Industry; Resort Hotels and Dude Ranches; Private Schools; Box Industry; Car Icing Industry.

In each such hearing the Attorney has conducted the hearing as the Commission's representative.

It should be understood that employees working in seasonal classifications are not eligible for benefits during the season of non-operation. They may, however, draw benefits provided they have earned sufficient wage credits in other employment which is not classified as seasonal.

Rules and Regulations

The Arizona law provides, in a general way, for the adoption of such rules and regulations as are necessary in the administration of the law. Rules and Regulations found necessary to this end have been adopted. It is the duty of the Attorney to prepare all such rules and regulations.

Legal Action Pending

The legal department has now pending 65 suits involving delinquent contributions; one case in the Supreme Court involving the definition of "agricultural labor"; and two suits in the Superior Court pertaining to the Merit System for Personnel. The department is faced daily with questions concerning interpretations of the law, both from within the agency and from employers, and others interested in the law.

Amendments

Arizona was one of the last States to pass an Unemployment Compensation law, and one of the first to commence payment of benefits. It should be realized that it was a pioneer in the program and that many difficulties have been encountered. Since the first of the year many questions have arisen concerning interpretations, all of which have been recorded, in order that there might be submitted to the Legislature necessary amendments to clarify all questionable items involved in the administration of the law. A great deal of time and study has been given to the proposed amendments, which are now available for distribution. In preparing these amendments, three major factors have been kept in mind. One is the simplification of the Law in order that it might be easily understood by everyone concerned. Second, liberalization of benefit payments insofar as the fund would permit; and third, necessary changes for economical and effective operation.

The Commission has caused an exhaustive study to be made as to the effect of the proposed amendments, and is in a position to give the members of the legislature, and other interested persons, full data concerning them.

The following resolution adopted by the State Unemployment Advisory Council at its meeting held Dec. 23, 1938, signified its approval of the Commission's proposed amendments:

RESOLUTION

WHEREAS, under the terms of Section 11, subsection (f) of the Arizona Unemployment Compensation Law, the Arizona Unemployment Compensation Commission is required to advise and confer with its Advisory Council, and

WHEREAS, this Advisory Council has been able to confer with such Commission and is thoroughly conversant with its activities and with the amendments which the Commission will propose to the Legislature in an effort to broaden the scope of the coverage of the Law and to bring about greater administrative practicality, and

WHEREAS, this Council, having reviewed the activities of the Commission and the proposed amendments to the law, is in hearty accord therewith,

NOW THEREFORE BE IT RESOLVED, that this Council by resolution spread upon its minutes hereby urges the Legislature of the State of Arizona to enact into law the amendments which the Unemployment Compensation Commission will submit to it, and

IT IS FURTHER RESOLVED, that it is the considered judgment of this Advisory Council that the enaction into law by the Legislature of the amendments to be proposed by the Commission to it will enable the Commission to broaden the scope of its coverage under the law, make for administrative practicality, and enable the Commission to more effectively carry out the principles of the Arizona Unemployment Compensation Law as expressed in Section 2 of the Unemployment Compensation Law of 1936.

RESEARCH AND STATISTICS

The statistical department of the Unemployment Compensation Division was established January 1, 1938, with a statistician in charge and a statistical clerk. The work was carried on in a small way prior to this by a statistical clerk appointed in July, 1937. From September, 1937, a complete record has been maintained of employer statistics showing contributions by area and industry. Considerable difficulty was encountered at the beginning by changes of employer account numbers, frequent changes of general procedure, or lack of established procedure and proper equipment.

The department has maintained from September, 1937, a record on employer contributions showing monthly by area and industry the number of employing units, employers, wage payments and contributions. With this information as a basis, tables and charts have been prepared by quarters, showing percentage change, percentage of each major industry, and quarter totals. Special studies have been made of the most important industries for labor characteristics and industrial trends. Interesting surveys were conducted to obtain employer reactions to the law, possible changes in reporting and general attitude toward the agency. The information being accumulated now will serve to start a base which will be used in the future for desired industrial studies, also to prove factual information, determine polices, changes, etc.

The department is aided by reporting clerks in the different divisions who spend part of their time keeping records necessary for obtaining the information desired for statistical reports. Reports are compiled from the regular operating records of the divisions of the agency.

There is presented in the following an analysis of the Unemployment Compensation Trust Fund:

Status of Unemployment Compensation Funds

Funds Available for Benefit Payments January 1, 1938	$2,013,149.55
Contributions, Penalties & Interest received January 1 to November 30, 1938	1,800,245.33
Total Funds	$3,813,394.88
Benefit Payments January, 1938 to November, 1938	1,772,284.30
Balance	$2,041,110.58
Increase in Fund from January 1, 1938 to November 30, 1938	$ 27,961.03

(Approximately $500,000.00 in contributions for the last quarter of 1938 will not be due until January, 1939.)

This summarization indicates an excess of receipts in the Fund over benefit payments in the amount of $27,961.03 for the period from January 1, 1938 to November 30, 1938.

Chart A, Page 51, presents graphically the above tabulation.

Some interesting developments derived from statistical data are presented in the following tabulations:

1. Number of administrative employees by quarters:

	U.C.	E.S.	Total
1st quarter 1938	108	78	186
2nd quarter 1938	112	71	183
3rd quarter 1938	79	53	132

(This number of administrative employees has been reduced to 129 employees.)

2. Number of covered employees (Wage Reports):

1st quarter 1938	78,156
2nd quarter 1938	80,639
3rd quarter 1938	82,636

(This represents the total number of individual employee wage credits reported by employers throughout the state.)

3. Number of employer contacts:

1st quarter 1938 (Field visits)	1,962
2nd quarter 1938 (Field visits)	2,032
3rd quarter 1938 (Field visits)	1,546

4. Number of Placements:

1st quarter 1938	3,789
2nd quarter 1938	4,579
3rd quarter 1938	4,991

(This represents the number of individuals placed in jobs.)

5. Number of Placements for Individuals Drawing Unemployment Compensation Benefits:

1st quarter 1938	340
2nd quarter 1938	594
3rd quarter 1938	863

(Placing these individuals in jobs has decreased the amount of benefits paid as these individuals are not eligible for benefits after acceptance of suitable work.)

6. Comments on Itinerant Service are presented on Pages 15 and 26. Claims received through itinerant service:

	Initial	Continued
1st quarter 1938	1,055	10,651
2nd quarter 1938	1,541	17,569
3rd quarter 1938	1,547	16,372

7. Ratio of claims taken to administrative employees:

	All Claims Taken	Administrative Employees	Claims per Employee
1st quarter 1938	61,338	186	330
2nd quarter 1938	72,784	183	398
3rd quarter 1938	67,977	132	515

(A study of this tabulation indicates the increase of efficiency in operations.)

There is shown on page 48 a breakdown by industrial classification of the wage payments for the three completed quarters of 1938. A chart of this data is presented on page 52. A further breakdown by counties is shown on page 49. A chart is shown on page 53.

An analysis of claim data and checks issued is furnished on page 61. The average claim payment ranges from $11.37 to $12.77. It is of interest

to note that Arizona's average payment ranks among the highest in the nation. This information is illustrated graphically on page 54.

The amount of benefit payments by counties is indicated on page 50. The same information is presented graphically on page 55.

Employer Questionnaire

Approximately 3,200 questionnaires were sent covered Employers of the Arizona Unemployment Compensation Commission; 725 schedules were returned and used in this study. We have slightly more than 22% of the employers and approximately 38% of the employees represented in this study. We see from these percentages that our larger employers were represented. It is also interesting to know that all counties are well represented. This stratified sample gives very interesting information.

It seems that Employers are very much in favor of the list method of reporting and quarterly contribution reports.

The Field Staff, making many problem calls, gets 540 courteous and cooperative answers out of 553 contacts, only 13 negative, with 172 out of the 625 with no contacts.

Employers had trouble with question six, dealing with separation notices. One hundred seventy-seven did not understand clearly. The answers to this question reflect lack of familiarity of the form.

Only seven employers (2%) of those having experience regarding refunds thought adjustments were not handled expediently.

Employers feel that their employees have a fair understanding of the law. At least 71% feel that way while 18% had no knowledge of what they knew about it. Only 11% were sure their employees were not thoroughly familiar with their rights under the Unemployment Compensation Law.

Question number ten, probably the most interesting item on the schedule, brought forth many worthwhile suggestions. Five hundred sixty-two or 78% did not think that the law should be changed, while 163 or 22% thought it should be changed; 21 (2.8%) suggested repeal.

The questions asked and tabulation of replies received are presented on pages 46 and 47.

EMPLOYER QUESTIONNAIRE

September 15, 1938

No.	Questions	a. Yes	b. No	c. Others*	Total	Per cent a.	Per cent b.	Per cent c.
1	Do you as an employer prefer list method of reporting	613	32	80	725	85	4	11
2	Have you received sufficient instructions concerning preparation of reports	645	78	2	725	89	8	3
3	Does the new procedure covering quarterly reporting meet with your approval	662	32	31[1]	725	91	5	4
4	Would you prefer to report monthly	32	662	31[1]	725	5	91	4
5	Have members of the field staff cooperated and been courteous in their contacts with your organization	540	13	172[2]	725	98	2**	24
6	Would you favor separation notices only in cases of disqualification of workers	421	123	177[1]	721	58	17	24
7	Are refunds and adjustments handled expediently	304	7	414[2]	725	98	2**	57
8	Can you show the weekly wage paid each employee without complicating your procedure	310	363	52[1]	725	43	50	7
9	Are your employees thoroughly familiar with their rights under the Unemployment Compensation Law	518	77	130[4]	725	71	11	18
10	Do you have any recommendations concerning changes that should be made in the present law	163***	562	163[3]	725	22	78	22

	Number	Per cent
Total schedules mailed	3,200	
schedules received	725	22.6
employees represented	29,693	37.4

* Other

[1] Does not understand question.
[2] No experience.
[3] Suggestions (Not included in total.)
[4] No information.

** Per cent of those contacted.

*** See complete breakdown of Question Ten on the next page.

EMPLOYER QUESTIONNAIRE
Question Ten

A complete analysis of replies to Question 10 is summarized as follows:

10. Do you have any recommendations concerning changes that should be made in the present law.

Answer	Number	Per cent
NO change	526	78
YES—Repeal entirely	21	2.8
YES—Contribution rate too high	14	1.9
YES—Employees pay half of contribution	11	1.5
YES—Keep simple as possible	13	1.8
YES—Exclude executives salaries	9	1.2
YES—Reports should follow Federal procedure	9	1.2
YES—Report yearly only	3	.4
YES—Merit Rating for Employers—Comments Pro & Con	8	1.1
YES—Unqualified	4	.6
YES—Law is unjust	3	.4
YES—No taxes on accrued wages or commissions until paid	4	.6
YES—Misunderstood the question	4	.6
	665	92.0
YES—BALANCE ***	60	8.0
	725	100.0

*** Balance of 60 yes answers give about 32 different opinions or less than an average of two people with the same idea.

WAGE PAYMENTS BY MAJOR INDUSTRY

First Three Quarters of 1938 with Per Cent of Total

	1st Quarter	2nd Quarter	3rd Quarter	Total	% of Total
Agriculture	$ 6,022.70	$ 9,150.47	$ 10,284.02	$ 25,457.19	.05
Mining	3,709,060.28	3,690,474.27	3,502,077.15	10,901,611.70	20.62
Construction	1,221,316.70	1,378,664.49	1,112,228.46	3,712,209.65	7.02
Manufacturing	2,036,851.65	1,944,067.94	2,065,006.38	6,045,925.97	11.43
Transportation	2,776,239.16	2,686,143.84	2,772,861.74	8,235,244.74	15.58
Communication	309,809.10	303,872.32	312,452.79	926,134.21	1.75
Utilities	540,432.38	542,499.65	569,679.11	1,652,611.14	3.13
Trade, Wholesale and Retail	4,221,761.58	4,571,597.34	4,451,239.05	13,244,597.97	25.05
Finance	140,535.43	150,986.59	148,299.03	439,821.05	.83
Insurance	130,892.84	151,101.37	153,250.67	435,244.88	.82
Real Estate	114,732.50	130,152.54	138,199.04	383,084.08	.72
Administration	134,135.10	106,513.90	109,079.63	349,728.63	.66
Service	1,911,339.81	1,936,239.87	1,909,094.98	5,756,674.66	10.89
Professional Service	205,103.23	192,970.56	186,230.83	584,304.62	1.11
Miscellaneous	53,001.40	61,652.76	65,916.70	180,570.86	.34
Total	$17,511,233.86	$17,856,087.91	$17,505,899.58	$52,873,221.35	100.00

Source: Employer Contribution Reports

Compiled on the 15th of the month following due date.

WAGE PAYMENTS BY COUNTIES

First Three Quarters of 1938 with Per cent of Total

County	1st Quarter	2nd Quarter	3rd Quarter	Total	% of Total
Maricopa	$ 5,642,326.89	$ 5,916,215.45	$ 5,781,019.14	$17,339,561.48	32.79
Pima	2,834,815.90	2,791,316.07	2,662,130.62	8,288,262.59	15.68
Cochise	1,746,235.74	1,713,836.19	1,598,024.74	5,058,096.67	9.57
Gila	1,102,680.02	1,031,645.03	1,049,960.26	3,184,285.31	6.02
Yavapai	1,214,636.13	1,249,675.07	1,312,329.93	3,776,641.13	7.14
Pinal	821,808.25	939,767.41	814,538.33	2,576,163.99	4.87
Navajo	476,723.23	481,744.66	562,422.77	1,520,890.66	2.88
Yuma	688,275.23	691,128.37	530,740.08	1,910,143.68	3.61
Apache	196,454.61	71,664.39	250,686.25	518,805.25	.98
Coconino	465,291.87	610,799.89	694,298.50	1,770,390.26	3.35
Graham	144,836.74	143,551.85	159,310.66	447,699.25	.85
Greenlee	380,370.52	301,195.84	283,148.50	964,714.86	1.82
Santa Cruz	248,774.26	258,439.40	228,202.43	735,416.09	1.39
Mohave	452,487.17	463,614.23	526,575.59	1,442,676.99	2.73
State-Wide	1,095,517.30	1,191,494.06	1,052,461.78	3,339,473.14	6.32
Totals	$17,511,233.86	$17,856,087.91	$17,505,899.58	$52,873,221.35	100.00

Source: Employer Contribution Reports

Compiled on the 15th of the month following due date.

*** Active Claimants, Number Checks, Amount, Cumulative Total Benefits Paid with Per Cent of Total by Counties**

November, 1938

County	Number of Claimants	Number Checks Written	Amount	Cumulative	Percent of Total Amount
Maricopa	1,157	4,194	$44,518.07	$468,935.33	26.44
Pima	540	1,931	21,809.68	267,317.26	15.06
Cochise	226	743	8,710.03	200,943.70	11.30
Gila	125	496	5,954.04	231,344.39	13.03
Yavapai	165	548	6,552.68	137,195.90	7.73
Pinal	103	302	3,690.77	98,951.70	5.57
Navajo	80	247	2,745.02	39,727.96	2.24
Yuma	189	659	7,359.15	57,770.06	3.25
Apache	21	55	532.53	10,965.76	.62
Coconino	97	294	3,204.70	52,093.65	2.93
Graham	36	107	1,221.00	32,975.89	1.86
Greenlee	35	136	1,751.66	40,105.90	2.26
Santa Cruz	37	128	1,397.65	19,378.63	1.09
Mohave	62	199	2,569.17	42,028.70	2.37
**Out of State	479	1,695	21,414.60	75,392.13	4.25
Totals	3,352	11,734	$133,430.75	$1,775,126.96	100.00

* Active Claimant means a Claimant who received one or more checks (benefit payments) during the month.

** Multi-State, Arizona Liable.

CHART A

STATUS OF UNEMPLOYMENT COMPENSATION FUND

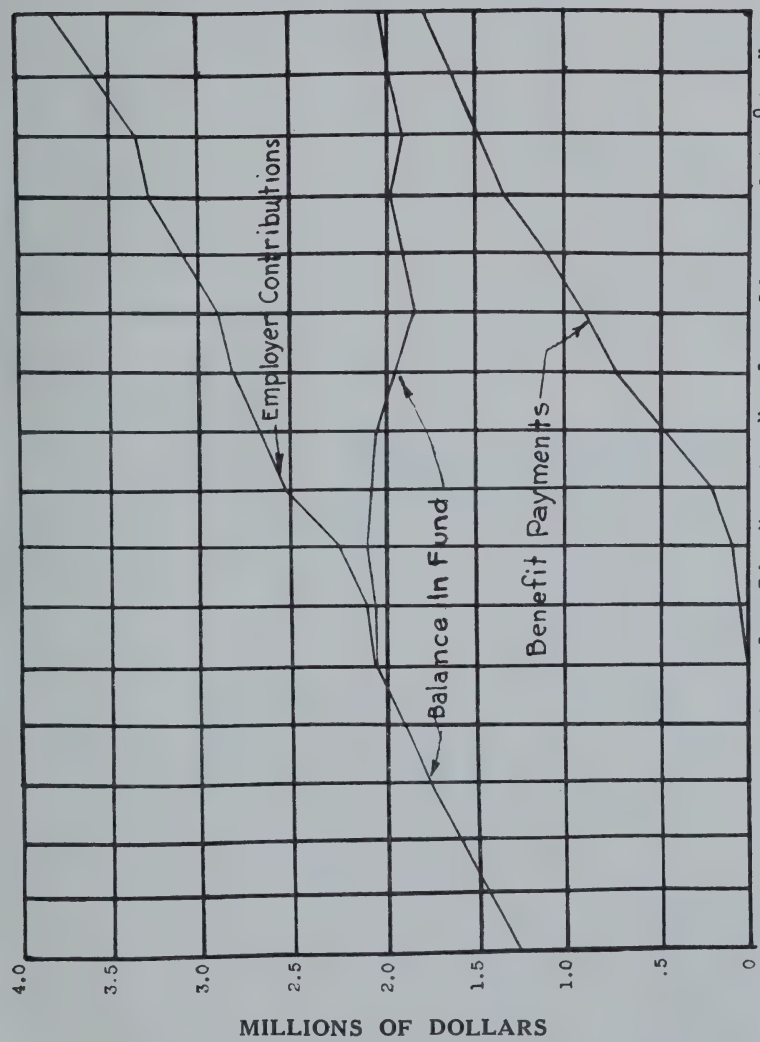
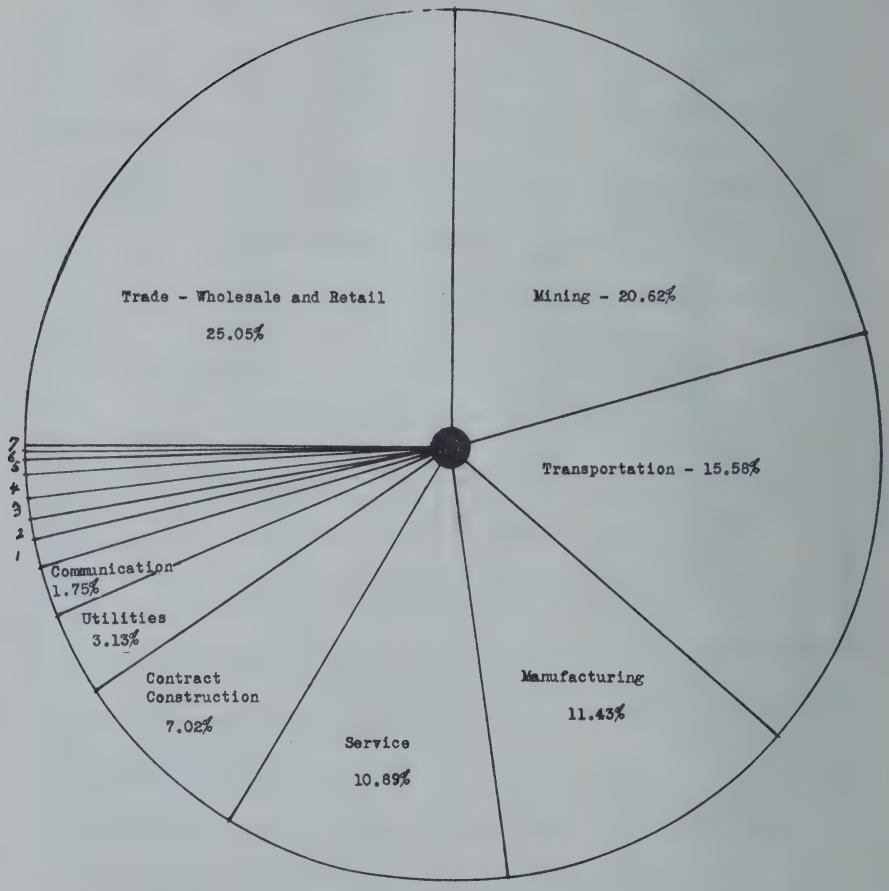


CHART B

Arizona Uemployment Compensation Commission
Percent of wage payments by Major Industries
January 1 to September 30, 1938



1. Professional Service 1.11%
2. Finance ..... .83%
3. Insurance ..... .82%
4. Real Estate ..... .72%
5. Administration ..... .66%
6. Miscellaneous ..... .34%
7. Agriculture ..... .05%

CHART C

Arizona Unemployment Compensation Commission
Percent of Wage Payments by Counties
January 1 to September 30, 1938

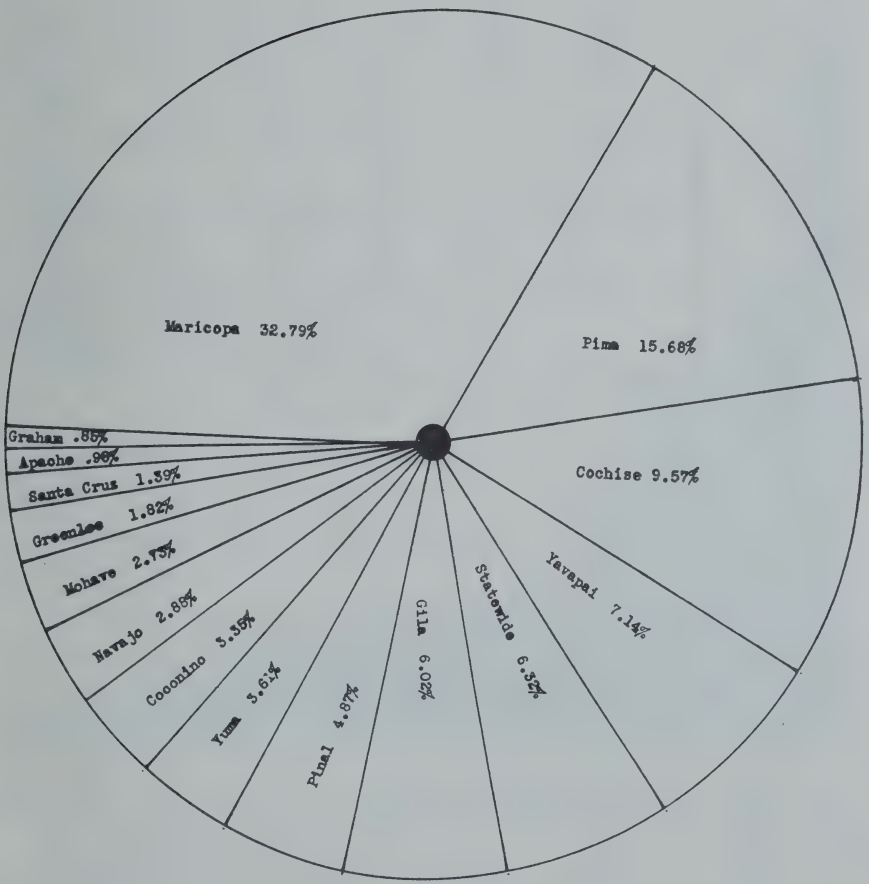
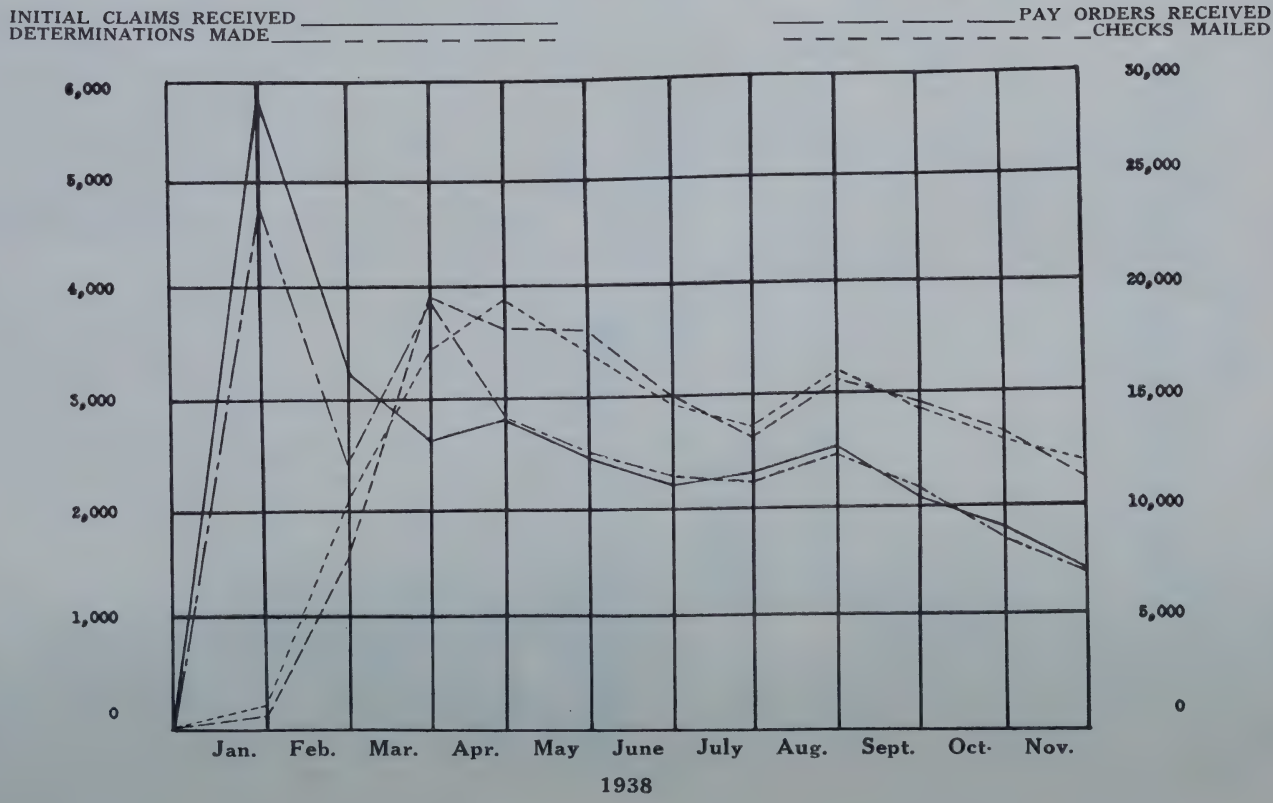


CHART D

1938

INITIAL CLAIMS RECEIVED AND DETERMINATIONS MADE BY MONTHS
PAY ORDERS RECEIVED AND CHECKS MAILED BY MONTHS



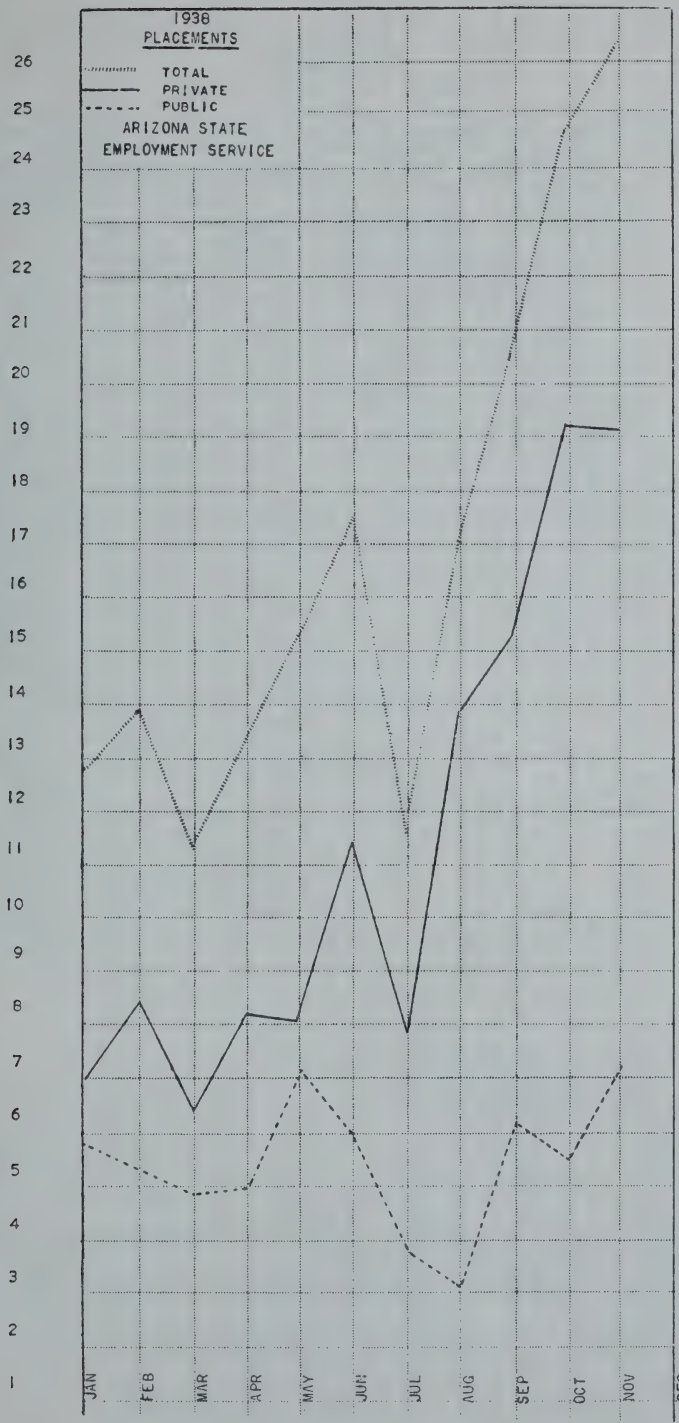
APACHE	.65
SANTA CRUZ	1.09
GRAHAM	1.86
NAVAJO	2.24
GREENLEE	2.26
MOHAVE	2.37
COCONINO	2.93
YUMA	3.25
MULTI-STATE	4.25
PINAL	5.57
YAVAPAI	7.73
COCHISE	11.30
GILA	13.03
PIMA	15.06
MARICOPA	26.44

Arizona Unemployment Compensation Commission
Percent of Total Benefit Payments by
Counties from January 26, 1938 to
November 30, 1938.
CHART E

SUMMARY OF PLACEMENT ACTIVITIES

January 1, 1938 to November 30, 1938

	Active File 1-1-38	Active File 11-30-38	Field Visits	Total Placements	Private Placements	Public Placements
Flagstaff	423	1,056	531	1,159	407	752
Kingman	158	699	423	212	165	47
Prescott	1,922	2,680	282	713	477	236
Winslow	466	964	446	656	346	310
Dist. No. 1 Total	2,969	5,399	1,682	2,740	1,395	1,345
Phoenix	7,106	9,282	1,456	8,520	6,946	1,574
Yuma	363	577	601	683	173	510
Dist. No. 2 Total	7,469	9,859	2,057	9,203	7,119	2,084
Casa Grande	632	1,158	179	591	463	128
Globe	1,695	2,152	311	800	713	87
Safford	769	1,356	76	386	56	330
St. Johns	312	462	139	372	320	52
Dist. No. 3 Total	3,408	5,128	705	2,149	1,552	597
Bisbee	1,452	3,125	872	1,552	728	824
Nogales	564	778	324	178	168	10
Tucson	2,532	2,180	571	2,623	1,527	1,096
Dist. No. 4 Total	4,548	6,083	1,767	4,353	2,423	1,930
STATE TOTALS	18,394	26,469	6,211	18,445	12,489	5,956


1938
PLACEMENTS
TOTAL
PRIVATE
PUBLIC
ARIZONA STATE
EMPLOYMENT SERVICE
26
25
24
23
22
21
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17
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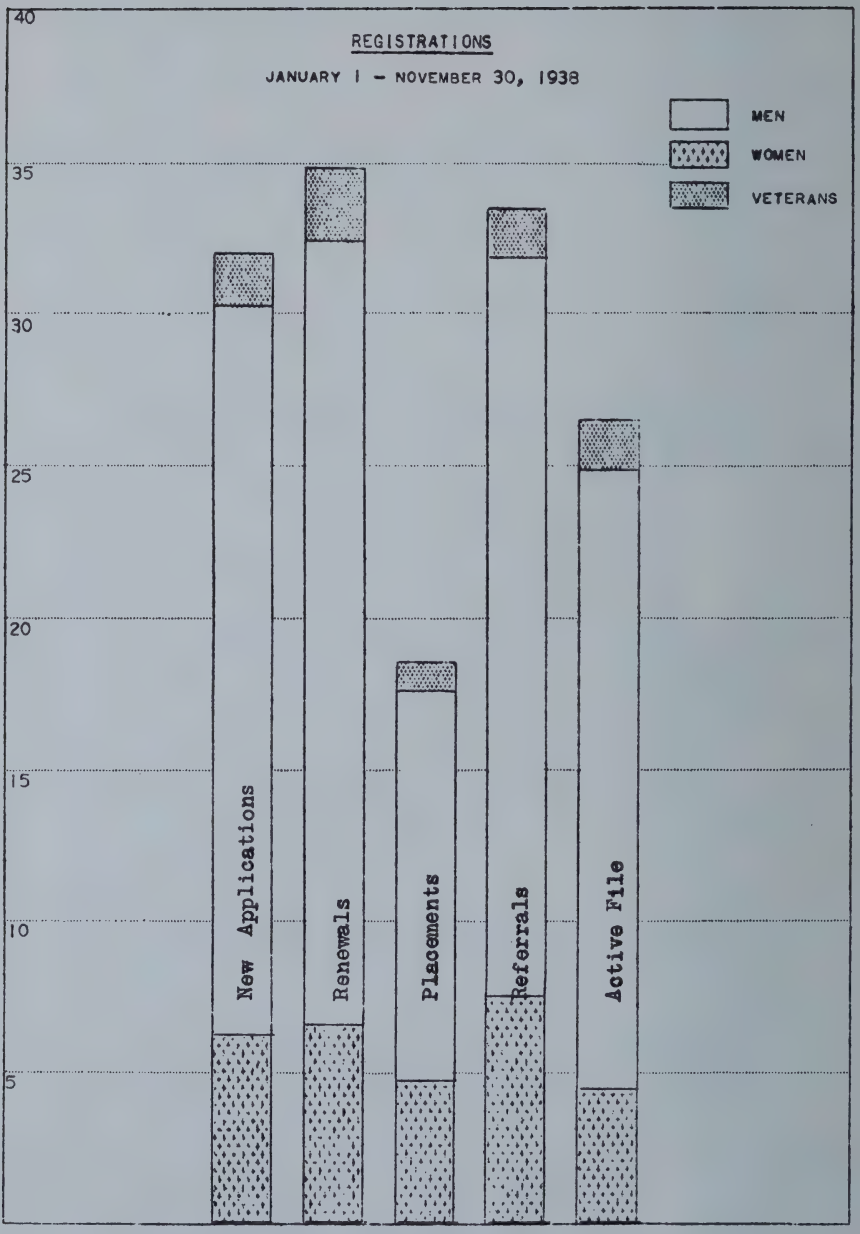
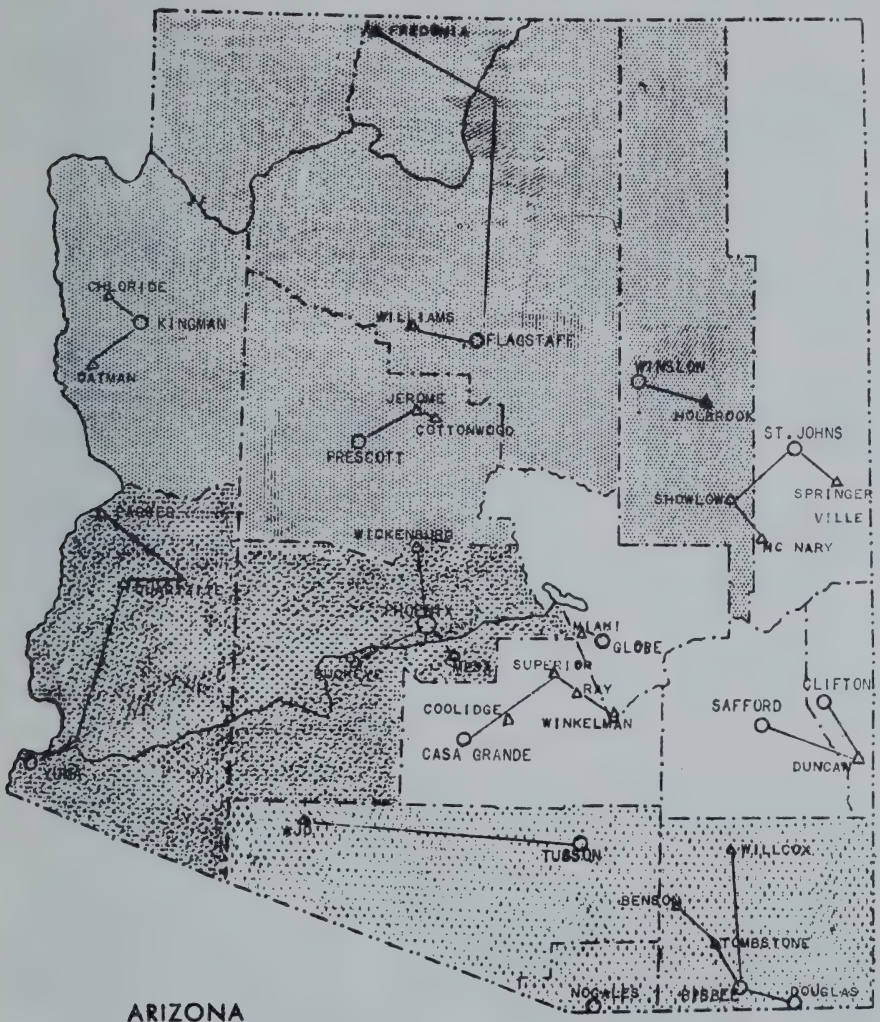


ARIZONA STATE EMPLOYMENT SERVICE
AFFILIATED WITH
UNITED STATES EMPLOYMENT SERVICE

ADMINISTRATIVE OFFICE
411 GOODRICH BUILDING
PHOENIX


FREDONIA
CHLORIDE
KINGMAN
WILLIAMS
FLAGSTAFF
DATMAN
WINSLOW
JEROME
HOLBROOK
COTTONWOOD
ST. JOHNS
PRESCOTT
SHOWLOW
SPRINGER
VILLE
MC NARY
WICKENBURG
PHOENIX
MIAMI
GLOBE
SUPERIOR
RAY
COOLIDGE
WINKELMAN
CASA GRANDE
CLIFTON
SAFFORD
DUNCAN
YUMA
TUCSON
WILLCOX
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TOMBSTONE
NOGALES
DOUGLAS
ARIZONA
SCALE OF MILES
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Itinerant Service
A.S.E.S. OFFICE
ITINERANT POINT
ITINERANT ROUTE
COUNTY LINES
Arizona State Employment Service
Affiliated With
United States Employment Service
Administrative Office
411 Goodrich Building
Phoenix
DISTRICTS
1
2
3
4

ADDENDA

Twelve-Month Report

The Addenda which follow refer to operations of the Arizona Unemployment Compensation Commission during the period from January 1 to December 31, 1938. Facts presented herewith, when considered in connection with the eleven-month report previously submitted, complete the record of the Commission for the year 1938.

Since it has been necessary to publish a fully-developed report of the Commission on a basis of eleven months' operation, issuance of a newly revised, completely reprinted annual report would have become an undue additional expense. In the interests of economy, therefore, these Addenda are submitted as the most practical method of completing the year's report.

Benefits Paid

Checks totalling $1,905,693 were issued by the Benefit Section during the first twelve months of benefit payments. The checks, 161,630 of them, averaged $11.79 each, and went to 23,888 individuals who had built up wage credits in Arizona.

Claims for benefits were first received by the Benefit Section January 3, 1938. During the remainder of the year the section processed 30,657 initial claims, of which 25,238 were declared valid and went on to draw weekly benefits. Insufficient earnings, non-covered employment, and similar factors caused 5,221 initial claims to be declared invalid. At the close of business December 31, 1938, recently-received initial claims numbering 198, were in process of calculation.

Benefit totals given above replace similar information on pages 5 and 30 of the eleven-month report.

Placements Activities

Tables on pages 65 and 66 summarize activities of the Employment Service Division for the year 1938. Pages 25, 26, and 57 of the preliminary report present comparable figures on an eleven-month basis.

Employer Accounts

Activities of the Field Section were shifted at the end of the year, emphasis during the entire month of December being given to a canvass of all exempt employers. The purpose of this check was to determine whether operations during 1938 had brought formerly exempt firms into the classification of covered employment. By the end of the year, the number of active covered accounts had risen to 3,445.

On Page 67 will be found a summary of activities of the Field Advisers during the month of December, 1938.

Proposed Amendments

Proposed amendments to the Arizona Unemployment Compensation Law of 1936 are discussed on pages 31-32 and 42 of the Commission's eleven-month report. The Commission is now able to report that the proposed amendments have been approved by the State Federation of Labor and the joint legislative committee of the Railroad Brotherhoods.

ANALYSIS

Claims Received at Central Office, Allowed, Disallowed, Accounts Opened and Closed, Checks Issued, Amount and Average

Date	Claims Received				Accounts		Checks Issued*		
	Initial	Allowed	Disallowed	Continued	Opened	Closed	Number	Amount	Average
Total to Date	30,657	25,238	5,221	221,622	23,888	20,254	161,630	$1,905,693.76	$11.79
1938									
January	5,866	4,034	929	3,249	4,034	0	760	9,627.37	12.67
February	3,110	2,056	443	19,905	2,056	127	8,277	105,259.33	12.73
March	2,671	3,234	711	26,537	3,234	1,146	19,986	246,406.47	12.33
April	2,881	2,402	511	25,077	1,707	1,792	18,317	219,693.68	11.99
May	2,494	2,160	391	21,914	2,828	2,030	18,147	211,547.13	11.66
June	2,090	1,828	282	18,328	1,407	2,576	14,643	168,609.04	11.51
July	2,215	1,805	360	20,270	1,524	1,323	13,828	159,795.60	11.56
August	2,479	2,131	342	22,619	2,063	1,575	16,428	192,623.43	11.73
September	1,978	1,684	346	18,416	1,312	1,342	14,327	167,516.00	11.69
October	1,707	1,394	302	16,201	1,443	1,323	13,735	160,618.16	11.69
November	1,383	1,092	265	14,784	1,023	6,044	11,734	133,430.75	11.37
December	1,783	1,418	339	14,322	1,257	976	11,448	130,566.80	11.41

* Does not allow for cancellations.

ADMINISTRATIVE COST ANALYSIS BY QUARTERS

	Year 1938 Total
A: Cost Per Benefit Payment*	**$1.55**
1st Quarter	$2.27
2nd Quarter	1.52
3rd Quarter	1.48
4th Quarter	1.10

*Formula: $\frac{\text{Quarterly Grants}}{\text{Benefit Checks issued each Quarter}}$

B: Cost per Dollar of Benefits Paid*	**$0.13**
1st Quarter	$0.18
2nd Quarter	0.13
3rd Quarter	0.12
4th Quarter	0.09

*Formula: $\frac{\text{Quarterly Grants}}{\text{Amount of Benefits Paid each Quarter}}$

C: Cost Per Covered Worker*	**$3.13**
1st Quarter	$0.94
2nd Quarter	0.97
3rd Quarter	0.82
4th Quarter	0.49

*Formula: $\frac{\text{Quarterly Grants}}{\text{Number of Covered Workers Reported each Quarter}}$

D: Per Capita Cost of Administration*	**$0.54**
1st Quarter	$0.14
2nd Quarter	0.17
3rd Quarter	0.14
4th Quarter	0.09

*Formula: $\frac{\text{Quarterly Grants}}{\text{Total Population}}$

E: Cost Per Square Mile of Area*	**$2.20**
1st Quarter	$0.57
2nd Quarter	0.68
3rd Quarter	0.57
4th Quarter	0.35

*Formula: $\frac{\text{Quarterly Grants}}{\text{Area of State in Square Miles}}$

Statistical Records

Some statistical data, presented in the preliminary report on a three-quarterly basis, are not available for a full four quarters at the time these Addenda are being prepared. Employers' contributions for the final calendar quarter of 1938 are due in January, 1939, but several weeks are necessary to develop complete tabulations. Tables on following pages contain the most recent benefit statistics.

Of particular interest are the Analysis of Administrative Cost by quarters (page 6), and the following study:

Study Of Benefit Fund For 1938

Total Amount Received 1938	$1,817,162.98
Estimated Amount to be Received for 4th Quarter	543,900.00
Estimate of 1938 Total Receipts	2,361,062.98
Benefits Paid, 1938	1,902,407.99
	458,654.99
Minus $110,467.42 which was received in January, 1938, for December, 1937	110,467.42
	*$348,187.57

*This balance represents the increase in the total amount (contributions, interest, etc.) received, and estimated amount to be received for the 4th quarter of 1938, over benefit payments made during 1938.

ARIZONA UNEMPLOYMENT COMPENSATION DIVISION
STATEMENT OF FINANCIAL CONDITION AS OF DEC. 31, 1938

I ADMINISTRATION FUND

Assets

State Auditor—Administrative Fund	$ 10,242.00	
Imprest Fund	1,000.00	
Total Cash on Hand—Dec. 31, 1938	$ 11,242.00	
Less Reserve to Cover Transfer of Funds to Employment Service Division	2,003.32	
Total		$ 9,238.68

Reserves And Balances

Reserve for Unliquidated Encumbrances	$ 6,497.43	
Balance Available for Re-Allotment	2,741.25	
Total		$ 9,238.68

II UNEMPLOYMENT COMPENSATION TRUST FUND

Assets

Cash		
Clearance Fund—State Treasurer	$ 33,154.99	
Unemployment Trust Fund— U. S. Treasury	1,845,681.27	
Valley Nat'l Bank Suspense Account	12.83	
Benefit Fund	47,592.01	
Total Cash		$1,926,441.10
Receivables—Returned Checks		462.68
Total Assets		$1,926,903.78

Reserves

Employers' Contributions	$3,766,864.00	
Interest on Employers' Contributions	7,967.04	
Interest on Unemployment Trust Fund	54,467.90	
Employers' Contributions— Suspense Account	12.83	$3,829,311.77
Less Benefits Paid		1,902,407.99
Total Reserve for Payment of Benefits		$1,926,903.78

EMPLOYMENT SERVICE DIVISION

Statement of Receipts and Disbursements
For the Period from January 1, 1938 to December 31, 1938

CASH ON HAND JANUARY 1, 1938		$ 23,077.46
Receipts		
Wagner - Peyser	$ 12,575.86	
Social Security Board	107,051.44	
State of Arizona	12,500.00	
Counties and Municipalities	235.00	132,362.30
Total Receipts and Beginning Balance		$155,439.76
Disbursements		
Personal Services	106,476.00	
All Other Current Expenses	43,304.52	
Equipment	4,755.67	154,536.19
CASH ON HAND DECEMBER 31, 1938		$ 903.57
Transfer of Unemployment Compensation Funds Later Authorized to be Applied Against 1938 Encumbrances		2,003.32
Total Available to Balance 1938 Encumbrances		$ 2,906.89

A statement showing application of above Funds Available between Unliquidated Encumbrances and Unencumbered Balances cannot be made at this time due to the fact that Fiscal Records of the Employment Service have not been completed at the time this report goes to press.

SUMMARY OF PLACEMENT ACTIVITIES

Period: January 1, 1938 to December 31, 1938, Inclusive

	Active File 1-1-38	Active File 12-31-38	Field Visits	Total Place'ts	Private Place'ts	Public Place'ts
Flagstaff	423	425	590	1,237	446	791
Kingman	158	600	453	234	179	55
Prescott	1,922	2,788	314	771	513	258
Winslow	466	999	501	692	367	325
Dist. No. 1 Total	2,969	4,812	1,858	2,934	1,505	1,429
Phoenix	7,106	5,528	1,570	9,681	8,050	1,631
Yuma	363	676	626	708	198	510
Dist. No. 2 Total	7,469	6,204	2,196	10,389	8,248	2,141
Casa Grande	632	1,438	189	704	575	129
Globe	1,695	2,289	344	826	739	87
Safford	769	1,396	77	401	57	344
St. Johns	312	445	145	404	352	52
Dist. No. 3 Total	3,408	5,568	755	2,335	1,723	612
Bisbee	1,452	2,570	1,029	1,795	923	872
Nogales	564	799	355	197	187	10
Tucson	2,532	2,701	596	3,880	2,415	1,465
Dist. No. 4 Total	4,548	6,070	1,980	5,872	3,525	2,347
State Totals	18,394	22,654	6,789	21,530	15,001	6,529

CLAIMS RECEIVED FOR UNEMPLOYMENT COMPENSATION BENEFITS

By Employment Service Division

Period: January 1, 1938 to December 31, 1938, Inclusive

	Initial Claims	Continued Claims
Flagstaff	1,238	8,848
Kingman	763	4,939
Prescott	1,660	15,846
Winslow	653	5,657
Phoenix	9,506	65,076
Yuma	1,391	8,377
Casa Grande	1,427	11,168
Globe	2,443	24,632
Safford	1,011	8,967
St. Johns	496	2,289
Bisbee	2,539	24,260
Nogales	339	2,658
Tucson	4,703	37,601
Totals	28,169	220,318

SUMMARY, ACTIVITIES OF FIELD ADVISERS
MONTH OF DECEMBER, 1938

Item	E. T. Blake	R. O. Kelly	R. L. McNeice	L. R. Pond	C. L. Walmsley	Total
No. Days Worked	23	17	18	21	21	100
Completed Assignments	134	76	82	94	103	489
New Accts.						
No.	13	13	8	16	11	61
Amt. Due	$696.84	$659.39	$981.01	$541.61	$1,462.12	$4,340.97
Audits	10	12	9	12	15	58
Supplemental Contributions Secured:						
No.	1	3	--	2	1	7
Amt.	.76	$391.94	....	$30.72	$26.71	$450.13
Contribution Reports Secured:						
No.	46	18	35	27	25	151
Amt.	$1,511.11	$1,085.83	$3,540.17	$1,218.07	$1,974.81	$9,329.99
Contributions Collected						
No.	42	15	17	22	17	113
Amt.	$1,373.69	$1,008.05	$1,194.70	$613.01	$1,149.34	$5,338.79
Travel Expense	$93.03	$61.00	$182.92	$117.16	$115.70	$569.81

ACTIVE CLAIMANTS*, NUMBER CHECKS, AMOUNT, CUMULATIVE TOTAL BENEFIT PAYMENTS ISSUED, WITH PERCENT OF TOTAL BY COUNTIES

DECEMBER, 1938

County	Number of Claimants	Number Checks Written	Amount	Cumulative	Percent of Total Am't.
Maricopa	1,353	4,194	$ 45,534.17	$ 514,469.47	27.00
Pima	480	1,395	15,034.33	282,351.59	14.81
Cochise	200	724	8,288.72	209,232.42	10.98
Gila	137	419	5,204.05	236,548.44	12.41
Yavapai	175	566	6,984.51	144,180.41	7.57
Pinal	113	382	4,832.90	103,784.60	5.45
Navajo	103	328	3,708.65	43,436.64	2.28
Yuma	199	636	7,263.01	65,033.07	3.41
Apache	41	89	838.17	11,803.93	.62
Coconino	132	348	3,844.24	55,937.89	2.94
Graham	39	160	1,711.71	34,687.60	1.82
Greenlee	44	137	1,629.03	41,734.93	2.19
Santa Cruz	36	144	1,634.10	21,012.73	1.10
Mohave	73	204	2,642.19	44,670.89	2.34
Out of State**	509	1,722	21,417.02	96,809.15	5.08
Totals	3,634	11,448	$130,566.80	$1,905,693.76†	100.00

*"Active Claimant" means a Claimant who received one or more checks (benefit payments) during the month.

**Multi-State, Arizona Liable.

† Checks written. Does not include cancellations.

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ARIZONA UNEMPLOYMENT COMPENSATION COMMISSION

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Third Annual Report to the Governor

Covering Period from January 1, 1939
to December 31, 1939, Inclusive

Commissioners
W. ROY WAYLAND, Chairman
JOSEPH P. CONDREY, Member
I. A. McCABE, Member

January, 1940

Annual Report 1939

ARIZONA UNEMPLOYMENT COMPENSATION COMMISSION

Third Annual Report to the Governor

Covering Period from January 1, 1939
to December 31, 1939, Inclusive

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JOSEPH P. CONDREY, Member
I. A. McCABE, Member

January, 1940

ARIZONA UNEMPLOYMENT COMPENSATION COMMISSION

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Phoenix, Arizona

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The Honorable Robert T. Jones
Governor of Arizona
Phoenix, Arizona

SCHWEICKART

My dear Governor:

I have the honor to submit a report covering the operations of the Arizona Unemployment Compensation Commission for the period from January 1 to December 31, 1939.

It is the sincere hope of the Commission that matters set forth in this report will meet with your approval, and that the Unemployment Compensation Agency of this State has been so administered as to be a credit to Arizona.

Respectfully submitted,

ARIZONA UNEMPLOYMENT
COMPENSATION COMMISSION

W. ROY WAYLAND, Chairman
I. A. McCABE, Member
JOSEPH P. CONDREY, Member

TABLE OF CONTENTS

1. Introduction and Summary 7
2. Administration 14
3. Merit System 19
4. Balance Sheet 24
5. Employment Service Division 27
6. Unemployment Compensation Division 33
   - Benefit Section 33
   - Accounting Section 44
   - Field Section 49
   - Legal Counsel 58
   - Appeals Tribunal 59
   - Informational Service 59
   - Statistical Unit 60
7. Index 61

Charts

1. Wage Payments, Benefits Paid, Balance in Fund 9
2. Total, Private, and Public Placements 11
3. Registrations with Employment Service 28
4. Claims Taken by Employment Service 31
5. Benefit Payments, by Months, 1938-39 35
6. Benefit Payments, by County, 1938-39 38
7. Benefit Payments, by Industry 39
8. Contributions and Benefits, by Quarters, 1937-39; Balance in Fund 46
9. Employees, percentage by County 51
10. Employees, percentage by Industry 53
11. Contributions, by County, 1938-39 55
12. Contributions by Industry, 1938-39 57

Tables

1. Approved Budgets of Commission 17
2. Administrative Expenses, 1939 18
3. Total and Private Placements, 1939 30
4. Initial and Continued Claims Received by Local Offices 32
5. Benefit Section; Operations, 1938-39 33
6. Analysis of Benefits: Claims, Accounts, Checks Issued 36
7. Benefit Payments, by County 40
8. Benefit Payments, by Industry 42
9. Field Advisers' Work 48
10. Covered Employees, by County 50
11. Covered Employees, by Industry 52
12. Wage Payments, by County 54
13. Wage Payments, by Industry 56

INTRODUCTION AND SUMMARY

Shifting Emphasis from Benefits to Placements

As established by the Arizona State Legislature, unemployment compensation is designed for a two-sided attack against the problem of voluntary unemployment. Through the Employment Service Division a deliberate, organized program is carried forward to bring men and jobs together. Through the Unemployment Compensation Division earned benefits are paid as a matter of right, not charity, to those workers for whom no employment can be found.

The Arizona State Employment Service was already in existence when unemployment compensation was inaugurated, and for that reason public interest in the program during 1938 was centered principally on the newly-developed benefit procedure. Economists, sociologists, and administrators have shown agreement, however, that the payment of benefits is secondary in importance to the maintenance of employment, and that the best answer to the question of unemployment is the return of men and women to work in private industry.

During 1939, with improved employment conditions noted in many parts of the nation, emphasis of the program has returned where it rightly belongs. Placements made by the Employment Service Division during the year increased 43 per cent over 1938, with 26,030 placements in private industry and 4,866 in other employment. At the same time benefit payments dropped 20 per cent, from $1,902,407.99 to $1,523,522.62. It has been the aim of the Commission to integrate both services in such a way as to keep the largest possible number of Arizona workers employed at all times, and in the absence of suitable jobs to maintain the purchasing power of eligible unemployed persons by means of benefit payments. Such a program, if successfully carried out, should exert a stabilizing influence on buying power in Arizona.

Financial Soundness

In the 1938 report of the Commission it was noted that the benefit trust fund had proved sufficient to meet all obligations, and that its stability was great enough to withstand a sharp business decline. During 1938 collections lagged behind disbursements for a three-month period. The condition would have been serious if continued over a longer span of time. Arizona was one of the last states to pass a job insurance law which provided for benefit payments starting in 1938, and the agency had a relatively short time in which to canvass all covered employers and bring their contributions into the fund. For that reason the fund was not as large as was thought desirable when benefit payments began. With the third quarter of 1938 collections again outdistanced benefit payments, and the same condition has obtained since.

Unemployment Compensation benefits potentially payable to approximately 70,000 covered workers were backed by a $2,610,888.92 trust fund as of December 31, 1939. The fund stood at $1,926,903.78 at the end of 1938, giving a rise of 35 per cent during the calendar year just ended. This figure includes, however, $300,000 which will ultimately be transferred to the Railroad Retirement Board for railway workers' unemployment benefits. The year's increase was a part of $2,158,267.47 paid in contributions by employers during the 12 months of 1939. Moneys in the trust fund are maintained in the United States Treasury, credited to the State of Arizona. Contributions collected by the Arizona Unemployment Compensation Agency may be used for one purpose only: benefit payments.

Development of the Program

1936: Law Enacted

The Arizona Unemployment Compensation Agency has been in existence since February 23, 1937. It was created by the Arizona Unemployment Compensation Law, enacted by the First Special Session of the Twelfth Arizona Legislature, November 23, 1936. The Congress of the United States, in the Social Security Act, imposed a tax on the payrolls of business establishments having eight or more persons employed, with certain types of employment exempted. This tax was one per cent in 1936; two per cent in 1937; three per cent in 1938 and thereafter. Any business organization was permitted to claim credit, up to 90 per cent of the total amount imposed, for any payment to a state unemployment compensation trust fund. Therefore the act of levying the various state laws did not place an additional burden on business, except insofar as the legislatures extended coverage beyond that contemplated in the Social Security Act. If the Arizona Act had not been passed, employers covered by the Federal Act would have paid the full amount to the United States Government.

1937: Organization Created

The Social Security Act required collection of contributions for two years before benefits could be paid, to insure building of an adequate fund. The Arizona Law levied taxes for the year 1936, allowing the payment of benefits in 1938, and the Unemployment Compensation Commission functioned principally as a tax-collecting agency during its first few months of operation. The tax rate for 1936 was .9 per cent of payrolls; for 1937, 1.8 per cent; and for 1938 and thereafter, 2.7 per cent. During 1937 contributions for 1936 and 1937 were collected, bringing the benefit trust fund to $2,013,149.55 at the beginning of 1938.

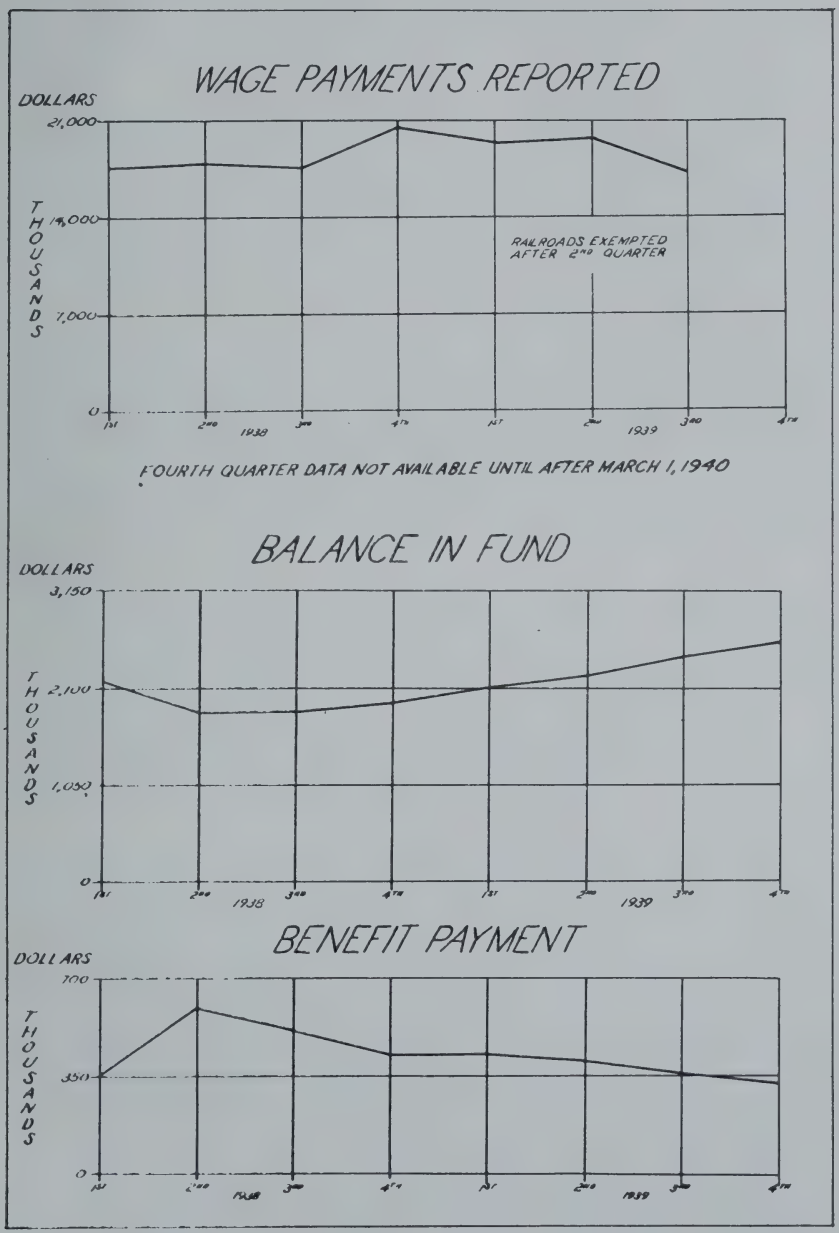
During the first year of operation, the Commission faced the tremendous task of registering 3,134 employers and collecting quarterly contributions and wage reports covering 71,419 employees. At the same time a ground-work was laid for a procedure to compute and pay benefits to eligible workers in 1938. Preparation for the payment of benefits began with the tabulation of employee accounts as payroll information began to flow in from employers.

1938: Benefits Paid

Beginning with the month of January, 1938, 22 states, including Arizona, started paying unemployment compensation benefits to employees who had built up their accounts by working in covered employment, who were unemployed, able, and willing to work. Wisconsin began payments in 1936. Six additional states began paying benefits in 1938, and by July, 1939, the 48 states, the District of Columbia, Hawaii, and Alaska were operating full-fledged programs of unemployment insurance.

The machinery of benefit payments was entirely new. Every original claim filed required a painstaking computation of the individual's benefit credits, with redeterminations necessary as each new quarter brought new factors into account. During the year 30,657 initial claims were filed. The Arizona State Employment Service, in addition to the increased number of registrations brought about by the influx of benefit claimants, was charged with the exacting task of receiving all these claims, together with 221,622 continued claims filed by persons serving waiting or benefit weeks.

Administrators of the state agency were gratified to observe that the system for payment of benefits was functioning; after preliminary difficulties and delays it was found in the latter half of 1938 that benefits were flowing out smoothly, employers were cooperating, and claims-taking had


WAGE PAYMENTS REPORTED
DOLLARS
THOUSANDS
21,000
14,000
7,000
0
RAILROADS EXEMPTED AFTER 2ND QUARTER
1938
1939
FOURTH QUARTER DATA NOT AVAILABLE UNTIL AFTER MARCH 1, 1940
BALANCE IN FUND
DOLLARS
THOUSANDS
3,150
2,100
1,050
0
1938
1939
BENEFIT PAYMENT
DOLLARS
THOUSANDS
700
350
0
1938
1939

settled into a routine which allowed the Employment Service to give greater attention to placements.

Revisions Drawn Up

The Commission stated in its 1938 report that certain complications in the Law, revealed during the first year of benefits, stood in need of correction. An amending statute was drawn up to clarify some of the more complicated provisions and to make numerous other changes recommended by the Commission, but because of a variety of factors the bill died in committee at the conclusion of the 1939 Regular Session of the Arizona Legislature.

1939: Railroad Fund Transfer

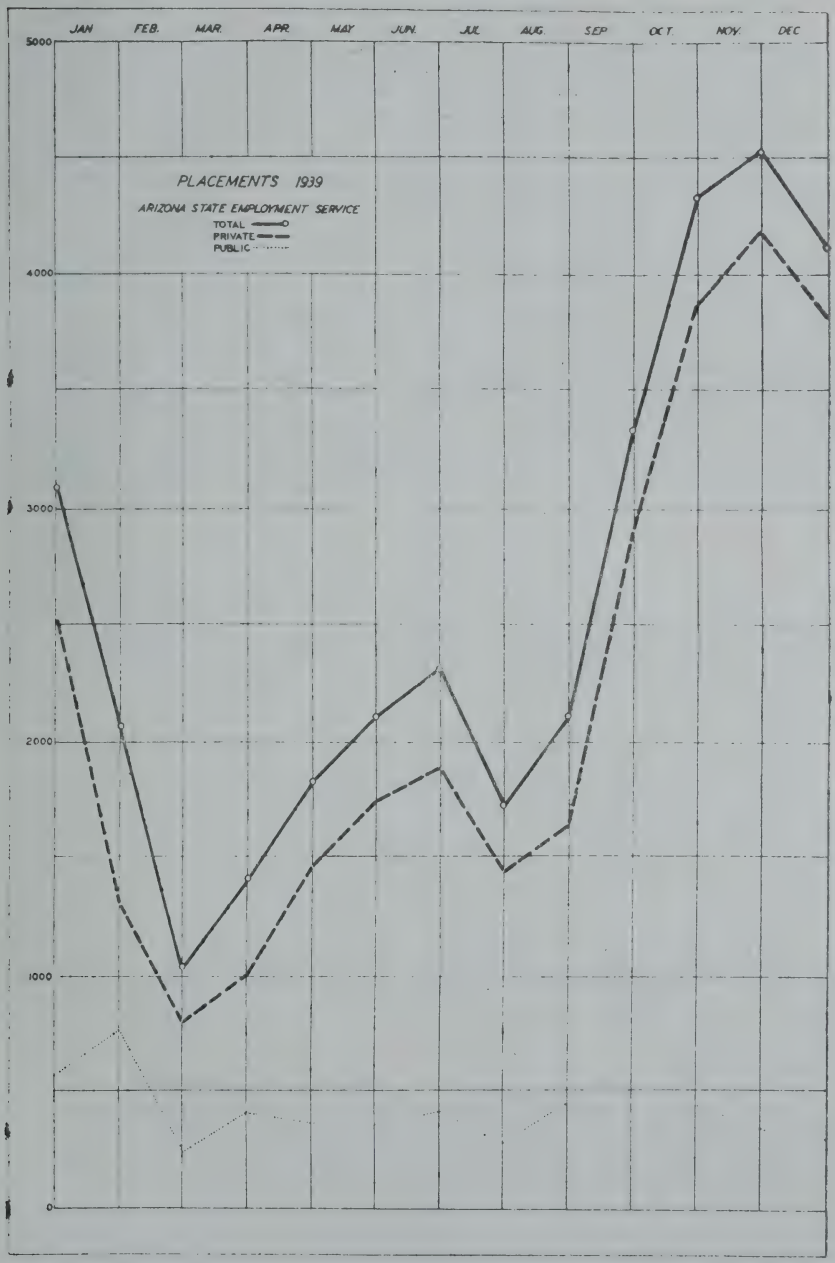
Included in the proposed amendments which failed of passage were provisions for transfer to the Railroad Retirement Board of funds collected by the state agency from railway employers. Under terms of the Railroad Unemployment Insurance Act, railroad employees (previously covered by the Arizona Unemployment Compensation Law) were transferred to the jurisdiction of the Federal Act July 1. Accompanying this shift was a required transfer of funds for payment of railway workers' benefits. The Social Security Board was required to withhold administrative funds equal to the amount transferable in the event provisions for the reallocation were not made.

Due to the fact that benefit funds cannot be used for administrative expenses, stoppage of the grants would have blocked administration of the Law pending (1) action of the Arizona Legislature in a special session or (2) corrective legislation by Congress. On July 1, when further grants were stopped, it appeared that such corrective action would soon be taken in the U. S. Congress, making a special session of the State Legislature unnecessary. Congressional action was delayed until August 5, when the 1939 Amendments to the Social Security Act were finally passed, shortly before adjournment. Included in these amendments was legal authority for Arizona to delay the railway transfer until after the next regular session of the State Legislature.

August 16, 1939, when grants were again forthcoming, the agency had virtually exhausted its administrative funds, and had taken drastic measures to conserve its small remaining amount of postage. At no time was the flow of benefit checks to eligible claimants interrupted, but to reduce postage it was necessary to distribute them through the local Employment Service offices instead of by mail to each recipient. The complete separation of the Commission's administrative and benefit funds was plainly demonstrated at this time, when two and a quarter million dollars were held in trust to pay benefit checks, but less than two dollars was available to operate the organization. The Commission wishes to pay tribute to the loyalty and cooperation of its employees, who continued to serve cheerfully and efficiently at a time when they had not been paid for a month and had no immediate certainty of payment.

Deficiency Appropriation, Social Security Board

The period from July 1 to August 16 was the second during 1939 when administrative grants were not received regularly. Money to meet the May 15 payroll was held up for a short time due to delay in passage of a Federal Deficiency Appropriation Bill and a paucity of Social Security Board funds.


JAN.
FEB.
MAR.
APR.
MAY
JUN.
JUL.
AUG.
SEP.
OCT.
NOV.
DEC.
5000
4000
3000
2000
1000
0
PLACEMENTS 1939
ARIZONA STATE EMPLOYMENT SERVICE
TOTAL
PRIVATE
PUBLIC

Federal-State Relationships

Questions concerning limits of authority appear to be inevitable when state agencies receive federal tax-money. In order to safeguard the cooperative spirit between unemployment compensation officials at the federal and state levels, this Commission strongly urges that their separate spheres of responsibility be more clearly defined. In this connection, attention should be drawn to the new requirements of the amended Social Security Act which give the Board increased authority over expenditures of administrative funds and maintenance of personnel standards.

Other subsections of the amended Act change the basis on which federal unemployment compensation taxes are assessed. Beginning with the year 1940, certain institutions formerly considered instrumentalities of the federal government will be taxable under the federal law; payroll taxes for unemployment compensation (against which the employer may credit contributions paid into a state unemployment compensation fund, up to 90 per cent of the federal tax) will be levied only on the first $3,000 paid to a single individual by an employer; the tax will be based on wages actually paid, not "payable." Requirements of the Arizona Law remain unchanged, however, and confusion is apt to arise because of differences between the federal and state laws. Even more serious is the destruction of the balance that formerly existed between the laws with regard to crediting state contributions against the federal tax.

Legislative Recommendations

Doubtless the State Legislature at its next session will give attention to the problem of harmonizing the Arizona and U. S. Laws. The Commission does not wish to make recommendations for additional legislative changes at this time, since new conditions may develop between the issuance of this report and the next session of the Arizona State Legislature.

Development of Procedure and Organization, 1939

As distinct from legislative matters, complications of procedure and organization also became apparent during the first year of benefit payments, and the attack on these problems became an outstanding development during 1939.

Costs

The financial statement for 1938 revealed steady reductions in cost of administration. These reductions have been continued. Figures quoted in full on page 17 show that the Commission budget for the first six months of 1939 was 38 per cent lower than for the same period in 1938, and the budget for the second half of 1939 was 22 per cent below the same six months in 1938.

Reorganization

Changes of procedure for more efficient operation have been set forth in detail in the departmental reports which appear later in this booklet. Of even greater importance, however, is the administrative reorganization of the agency which has been set in motion by the Commission in order to eliminate costly and cumbersome duplications of function.

The Arizona Unemployment Compensation Law empowers the Commission to establish and supervise the conduct of two coordinate divisions, the Employment Service Division and the Unemployment Compensation Division. It was found necessary to administer these two divisions on an entirely

separate basis during most of 1939 because funds and administrative standards were derived through cooperation with two federal agencies: the U. S. Employment Service in the Department of Labor, and the Bureau of Unemployment Compensation under the Social Security Board.

Following the transfer of both these federal agencies to the new Federal Security Agency (created under the President's Reorganization Plan Number One, announced April 25, 1939,) they were consolidated as the Bureau of Employment Security, July 30, 1939. Since it was then possible to deal with a single federal bureau in regard to standards and budgets, the way was open for greater centralization of certain functions, with elimination of needless duplication.

The Commission conducted a thorough study of agency administration with the object of making changes which would improve operations without disrupting the working organization. On October 31, 1939, by resolution, the Commission transferred all local office functions to the Employment Service Division; all accounting, statistical, purchasing and procurement, and informational operations to the Unemployment Compensation Division; and all personnel records and the maintenance thereof to the Executive Director. The basic organization, including two coordinate divisions, has been maintained as provided by law.

Point of Development Reached at End of 1939

The effectiveness of these changes cannot yet be evaluated, due to necessary delays in their practical application. At the end of 1939 it can be stated, however, that Arizona has a job insurance program which has completed two years in the benefit-payment stage and lacks only one year of reaching the period of full operation intended by the 1936 Arizona Legislature. In 1941 the merit rating provisions, affecting employers' contribution payments, are scheduled to go into operation. Under these provisions employers will be rated on their success in stabilizing employment, and those whose accounts show payments exceeding (by specified percentages) the benefits paid to their former employees, may become entitled to rate reductions.

At the end of 1939 the Arizona Unemployment Compensation Commission heads a more closely unified organization than formerly, and looks forward to smoother, more efficient operation. As for efficiency during the past year, the Commission prefers to let the financial statement, the tables of claims handled and placements made, tell their own story.

ADMINISTRATION

Agency Organization

The Arizona Unemployment Compensation Law (Section 10, Subsection (c)) provides for the establishment and operation of two coordinate divisions, the Employment Service Division and the Unemployment Compensation Division. Each has administrative officers responsible to the Commission through the Executive Director.

The Employment Service Division is headed by a Director, who has authority over a central administrative office in Phoenix and twelve local offices throughout the State. The Division is responsible for maintenance of an adequate system of free public employment offices, and for taking unemployment compensation claims. Facilities of the Employment Service are not restricted to persons covered by unemployment compensation, but are available to workers in all fields of agriculture, industry, and service.

The Unemployment Compensation Division is divided into three main sections, Field, Benefit, and Accounting, the head of each being responsible to the Executive Director. In addition there are seven smaller units (Legal, Statistical, Informational Service, Mail and Stock Room, Messenger, Telephone, and Duplicating) which operate in conjunction with all other departments of the organization. Of these seven, the Legal, Statistical, and Informational Service units receive assignments from the Executive Director and are responsible to him in regard to standards and volume of work. The other cooperating units function under the supervision of the Chief Accountant.

The Unemployment Compensation Division has as its primary responsibility the collection of funds from employers out of which benefits are paid, and the payment of benefits to eligible claimants.

The Commission

The Arizona Unemployment Compensation Commission consists of three members appointed by the Governor. Duties and powers of the Commission are set forth in Section 11, Subsection (a), of the Unemployment Compensation Law as follows:

> (a) **Duties and powers of commission.** It shall be the duty of the commission to administer this Act; and it shall have power and authority to adopt, amend, or rescind such rules and regulations, to employ such persons, make such expenditures, require such reports, make such investigations, and take such other action as it deems necessary or suitable to that end. Such rules and regulations shall be effective upon publication in the manner, not inconsistent with the provisions of this Act, which the commission shall prescribe. The commission shall determine its own organization and methods of procedure in accordance with the provisions of this Act, and shall have an official seal which shall be judicially noticed. Not later than the first day of February of each year, the commission shall submit to the Governor a report covering the administration and operation of this Act during the preceding calendar year and shall make such recommendations for amendments to this Act as the commission deems proper. Such report shall include a balance sheet of the moneys in the fund in which there shall be provided, if possible, a reserve against the liability in future years to pay benefits in excess of the then current contributions, which reserve shall be set up by the commission in accordance with accepted actuarial principals on the basis of statistics of employment, business activity, and other relevant factors for the longest possible period. Whenever the commission believes that a change in contribution or benefit rates will become necessary to protect the solvency of the fund, it shall promptly so inform the Governor and the Legislature and make recommendations with respect thereto.

Personnel

On March 24, 1939, Governor Jones appointed W. Roy Wayland and Joseph P. Condrey, both of Phoenix, and I. A. McCabe, of Winslow, to serve

on the Commission. In their first meeting, March 25, 1939, the Commissioners designated Mr. Wayland, who had served on the previous Commission, as chairman, and Mr. McCabe as vice-chairman. J. J. Taylor and J. J. Durkin served as chairman and member of the previous Commission.

Terms and Remuneration

The Law provides for a Commission of three members to be appointed by the Governor for terms of two, four, and six years respectively; and thereafter that each new member, other than an appointment to fill a vacancy, be appointed for a period of six years. The Law further provides that each member shall receive as compensation the sum of one thousand dollars per annum.

This section of the Law was held unconstitutional by the Arizona Supreme Court in a decision handed down as of June 6, 1938. The decision made it mandatory that Commissioners' terms expire coterminous with that of the appointing Governor. Commission members have been, and now are serving without compensation.

Advisory Councils

As provided by law, the Commission on April 6, 1939, appointed an Advisory Council, composed of an equal number of employer and employee representatives, to aid in formulating policies and discussing problems related to the administration of the unemployment compensation program. The following were appointed:

A. A. Johns, Chairman	Prescott
L. B. Loomis	Miami
Harold Tovrea	Tucson
Allen Williams	Phoenix
Charles Sutton	Prescott

The first two named were members of the Advisory Council under the previous Commission.

On April 6, 1939, the Commission appointed the following as members of the Advisory Committee on Merit System and Personnel: Cotton Murray, E. A. Van Dorn, and E. W. Montgomery, all of Phoenix. Mr. Montgomery, who was elected chairman, had previously served.

The Advisory Council for the Employment Service Division is composed of the following members:

J. D. Walkup, Chairman	Employer Representative
Mrs. Alleen Sawyer	Public Representative
James Whetstine	Employer Representative
A. P. Martin	Employer Representative
Cotton Murray	Labor Representative
Jacob Barth	Public Representative
Mrs. Dorothy DeCorse	Public Representative
Mrs. T. C. Garrett	Labor Representative

Administrative Developments

Rules and Regulations

On February 2, 1939, the Commission adopted Special Rule Number 2, determining the lumbering industry in Coconino County to be seasonal in nature and fixing the normal off-season during which benefits based on earnings in this industry are not to be paid. On February 17, 1939, the Commis-

sion adopted Special Rule Number 3, covering a similar determination for the lumbering industry in the region of McNary. Both of these Special Rules were revised from seasonality determinations rendered during 1938 and found to be inadequate. Their adoption was preceded by public hearings, as provided by law. After similar hearings concerning the Beet Seed Industry the Commission on August 9, 1939, adopted Special Rule Number 4, determining the industry to be seasonal in nature. Special Rule Number 4 was amended on October 31, 1939, to clarify the language. Regulation Number 27, "Procedure for the Handling of Fraudulent Claims," was adopted September 22, 1939.

Appointments

Effective May 9, 1939, the Commission appointed G. B. Donaldson to serve as Executive Director, filling the vacancy caused by the resignation of F. H. Stapleton. The vacancy created by resignation of George D. Locke was filled September 4, 1939, by appointment of Arthur M. Davis as Legal Counsel.

Reorganization

For the purpose of increasing administrative efficiency, the Commission on October 31, 1939, adopted the following Resolutions:

RESOLUTION

WHEREAS, this Commission on October 13, 1939 adopted a Resolution declaring its policy to eliminate duplication of duties and functions of the two divisions of the Commission, and

WHEREAS, it appears to this Commission that it will facilitate the administration of the Law and will simplify budgetary procedure to consolidate all activities of the Commission in the various local offices throughout the State within one division of the Commission.

NOW THEREFORE BE IT RESOLVED that all functions of the Commission performed in the various local offices throughout the State of Arizona, be, and the same are hereby transferred to the Employment Service Division of the Commission; and all records, charts and books of every kind and character now in the possession of the Unemployment Compensation Division in such field offices be transferred to the Employment Service Division, which shall, from and after the date of this resolution, be charged with the care, custody and control of the same.

RESOLUTION

WHEREAS, this Commission on October 13, 1939, adopted a Resolution declaring its policy to eliminate duplication of duties and functions of the two divisions of the Commission, and

WHEREAS, it appears to this Commission that it will facilitate the administration of the law and will simplify budgetary procedure to consolidate all Accounting functions of the Arizona Unemployment Compensation Commission under the Unemployment Compensation Division, and

WHEREAS, it appears that it will facilitate the administration of the law to consolidate all Statistical functions under the Unemployment Compensation Division, and

WHEREAS, it appears that it will facilitate the administration of the law to consolidate all purchases and procurements for both divisions under the Unemployment Compensation Division, and

WHEREAS, it appears that it will facilitate the administration of the law to consolidate all Informational activities for both divisions in the Unemployment Compensation Division, and

WHEREAS, it appears that it will facilitate the administration of the law to consolidate all personnel matters for both divisions in the office of the Executive Director of the Commission.

NOW THEREFORE BE IT RESOLVED that all Accounting and Fiscal functions and operations which have heretofore been performed by the Employment Service Division of the Commission be, and the same are hereby transferred to the Unemployment Compensation Division under the supervision, direction and control of the Accounting Department, and that all records, charts and books of account of every kind and character now in possession of the Employment Service Division be transferred and delivered to the care, custody and control of such Department, and

BE IT FURTHER RESOLVED, that all Statistical and Reporting functions and operations which have heretofore been performed by the Employment Service Division of this Commission be, and the same are hereby transferred to the Unemployment Compensation Division, under the supervision, direction and control of the Accounting Department, and that all records, charts and books of every kind and character be delivered to said Division, which shall, from and after the date of this Resolution be charged with the care, custody and control of the same, and

BE IT FURTHER RESOLVED, that all purchasing and procurement functions and operations which have heretofore been performed by the Employment Service Division of this Commission be, and the same are hereby transferred to the Unemployment Compensation Division, under the supervision, direction and control of the Accounting Department thereof, and that all records, charts and books of account of every kind and character now in the possession of the Employment Service Division be delivered to the Accounting Department of the Unemployment Compensation Division, which shall, from and after the date of this resolution be charged with the care, custody and control of the same, and

BE IT FURTHER RESOLVED, that all Informational and Training activities which have heretofore been performed by the Employment Service Division of this Commission be, and the same are hereby transferred to the Unemployment Compensation Division, under the supervision, direction and control of the Informational Representative of the Commission, and all records, charts and books of every kind and character pertaining to such activities be delivered to the Informational Representative, who shall, from and after the date of this resolution, be charged with the care, custody and control of the same, and

BE IT FURTHER RESOLVED, that the maintenance of personnel records heretofore divided between the Director of the Employment Service and the Director of the Unemployment Compensation Division, be and the same are hereby, transferred to the office of the Executive Director of the Commission, and all records and charts of every kind and character now in the possession of the Employment Service or the Unemployment Compensation Divisions be delivered to the Executive Director of the Commission, who shall, from and after the date of this resolution, be charged with the care, custody and control of the same.

Costs

After the initial cost of procuring equipment and putting the unemployment compensation program into operation the administrative expenses of the agency decreased during 1938 to a steadier operating level. The decrease continued in 1939, but it is doubtful whether further significant reductions can be made in the future without curtailment of operations. A study of approved budgets of the Commission by six-month periods since the beginning of 1938 follows:

Table 1.—Approved budgets: Amounts approved for operation of the Unemployment Compensation Commission, totaled by six-month periods since January 1, 1938.

Period	Division		Total
	Unemployment Compensation	Employment Service	
January-June, 1938	$140,702.94	$87,394.38	$228,097.32
July-December, 1938	111,820.96	68,960.31	180,781.27
January-June, 1939	78,403.53	63,819.34	142,222.87
July-December, 1939	77,820.23	62,784.61	140,604.84

The administrative expenditures for 1939 are shown by categories in the following tabulation:

Table 2.—Administrative expenses, 1939: Actual expenditures for each division, by categories.

Category	Division		Total
	Unemployment Compensation	Employment Service	
Personal Service	$105,421.43	$ 92,920.74	$198,342.17
Supplies Consumable	9,578.17	2,158.21	11,736.38
Communications Expense	10,070.45	3,940.37	14,010.82
Travel Expense	8,233.01	10,466.80	18,699.81
Rent of Premises	7,142.21	11,286.80	18,429.01
Other Current Expenses	9,251.73	3,506.64	12,758.37
Equipment	1,141.88	569.81	1,711.69
Total	$150,838.88	$124,849.37	$275,688.25

The difference between the approved budgets and the expenditures represents incidental operating savings which have created unexpended balances to be carried forward into the subsequent budget period, applying on the next administrative grant.

MERIT SYSTEM

With personnel turnover reduced to a minimum and no examination program found necessary during 1939, the Merit System functioned chiefly in the preparation and maintenance of employee service records.

Supreme Court Decision

On November 6, 1939, the Arizona Supreme Court handed down a decision in which 19 former employees of the Commission were upheld in their contention that the grading system used in examinations held during 1938 was not in proper accordance with the Rules and Regulations for Merit System laid down by the Commission. In affirming the judgment of the Maricopa County Superior Court, however, the Supreme Court placed a modification to the effect that it was necessary for an applicant to make a minimum average of 70 per cent in each part of the examination in order to be placed on the eligibility list.

The basic contention of the plaintiffs in the case was that they had unlawfully been restrained from taking the remainder of the examination after failing to receive passing scores in the initial part. They contended further that the passing score of 70 per cent was incorrectly determined under a grading system which limited the number of passing scores. The decision affirmed that all applicants answering seven out of ten questions correctly must be credited with 70 per cent, and that all who thus passed the first portion of the examination were entitled to continue with subsequent portions.

Advisory Committee Report

Following is the third semi-annual report of the Advisory Committee on Merit System and Personnel:

Arizona Unemployment
Compensation Commission
Phoenix, Arizona

Gentlemen:

In accordance with Rule III, Section 1, Clause 4, of the Regulations for Merit System and Personnel Administration of the Arizona Unemployment Compensation Commission, the Advisory Committee on Merit System and Personnel herewith submits its third Semi-Annual Report to the Commission.

The period covered is March 1 to September 1, 1939, continuing the record of operations set forth in the second semi-annual report of the Committee for the period September 1, 1938, to March 1, 1939.

Respectfully submitted,

ADVISORY COMMITTEE ON MERIT SYSTEM
AND PERSONNEL
(Signed) E. W. Montgomery, Chairman

Personnel Turnover

It is a source of satisfaction to the Advisory Committee that a relatively small personnel turnover is to be noted in the period covered by this report.

No employees of the Commission were removed for cause. Five resignations were offered and accepted; there were two persons laid off and one reinstatement made. There were twenty-three promotions (nineteen of these limited to salary increases and four involving changes of rank), three transfers of personnel within their respective classifications, and no demotions. Three persons in the employ of the Commission were granted leaves of absence. Three appointments were made to fill vacancies, one falling within the "emergency appointment" class.

Service Ratings

As recommended by the Advisory Committee, a method was put into operation for rating employees semi-annually on the quality of their performance, productivity of their work, and other qualifications. These ratings are to be used in making promotions, transfers, lay-offs, and dismissals, in accordance with Rules XIV and XV of the Regulations for Merit System and Personnel Administration:

RULE XIV. SERVICE RATINGS.

Sec. 1. **Installation and Use of Service Ratings.** The Commission shall provide for determination of efficiency for all employees by a system of service ratings designed to evaluate the quality and quantity of work performed by employees. Such ratings shall be obtained for all employees at regular intervals not to exceed six months. Service ratings shall be considered in determining salary advancements and decreases, the order of lay-offs, and the advisability of transfers, demotions and dismissals, and shall be a factor in making promotions. The employee shall be notified of his service rating.

RULE XV. RECORDS AND REPORTS.

Sec. 4. **Records Open to the Committee.** All Personnel Records including employee rosters or service records shall be open to the inspection of the (Advisory) Committee.

The following "Procedure Governing the Accurate Determination of Service Ratings" was placed in effect as of August 15, 1939:

1. **Employees to be Rated.** Ratings will be prepared for all permanent employees who are on the payroll of the Unemployment Compensation Division on August 15, 1939, and who performed service during the semi-annual period ending June 30, 1939. The period of service covered by the rating shall be the first six months of 1939, except that if an employee served during a part only of such period, Form AUC-80 shall show the period actually served and the rating will be based upon such period.

2. **Importance of Rating.** Ratings are an important factor in administrative promotions, demotions and dismissals. They are also important in changes in grade and assignment. The service rating will be considered carefully by the Advisory Committee and will affect materially the final rating in any promotional examination which may be given to employees in line of promotion. It is essential, therefore, that rating and reviewing officers appreciate the importance of these ratings to employees, and that they give the following instructions and the rating procedure itself all the time and thought that their importance deserves.

3. **Rating and Reviewing Officers; Rating Committee**

a. The rating officer will be the employee's immediate administrative supervisor on August 15, 1939.

b. The Executive Director, the Chief Accountant, and the Chief Field Adviser are designated as the reviewing officers with respect to service ratings determined and prepared by the Chief of Benefits as the rating officer.

The Executive Director, the Chief of Benefits, and the Chief Field Adviser are designated as the reviewing officers with respect to service ratings determined and prepared by the Chief Accountant as the rating officer.

The Executive Director, the Chief Accountant, and the Chief of Benefits are designated as the reviewing officers with respect to service ratings determined and prepared by the Chief Field Adviser as the rating officer.

c. The Rating Committee consists of the members of the Advisory Committee on Personnel and the secretary-clerk of such committee.

4. **Distribution of Forms (AUC-80).** Rating Forms AUC-80 will be prepared in advance in the Executive Director's office for each employee who is to be rated, indicating his or her current assignment. Each form will bear the employee's name, current job title, section or office to which assigned, current salary scale, and the date and register

pertaining to his or her original appointment. These forms will be distributed to the Chief of Benefits, the Chief Accountant, the Chief Field Adviser, and the respective managers of Employment Service offices, in accordance with the personnel assigned under the administrative supervision of each. The rating forms when completed by the rating officer will be returned by him to the Executive Director. All rating forms when transmitted through the mail should be enclosed in sealed envelopes, addressed to the personal attention of the Executive Director, and at all times special care should be taken to see that unauthorized persons are not permitted to examine them.

5. **Explanation of Adjective Ratings.** The five adjective ratings will have the following meanings:

a. "Excellent"—Performance all of which has been fully satisfactory and most of which has been outstanding.

b. "Very Good"—Performance all of which has been fully satisfactory and some of which, but not the major part, has been outstanding.

c. "Good"—Performance which has been satisfactory but little of which, if any, has been outstanding.

d. "Fair"—Performance which has not been wholly satisfactory, but which has not been so poor as to warrant the employee's demotion in grade or separation from the service.

e. "Unsatisfactory"—Performance which has been so poor as to require the employee's demotion to a lower grade or separation from the service.

6. **Instructions for Rating Officers.** Rating officers will govern themselves carefully, in accordance with the following specific instructions:

a. Allow plenty of time, free from interruption, for making your ratings.

b. Read and comply with the instructions on both sides of the service rating form.

c. As rating officer, indicate in black ink in the space provided in the upper right-hand corner of each service rating sheet whether the duties of the employee are supervisory or non-supervisory. The employee should be rated as non-supervisory unless his supervisory duties are sufficiently important to constitute a major basis for rating.

d. Rate employees by groups according to classification or job title and the type of work performed. When marking the separate elements, the same rating standard should be applied to all employees in the same group.

e. Analyze the performance of each in correspondence with the "titles" and "elements" on the rating form and in accordance with the definitions in Paragraph 5. Differentiate carefully among the several elements.

f. You may omit some of the elements or add others, or underline any elements which are especially important, provided this is done **uniformly for like positions.**

g. The numerical ratings on the titles I, II, and III are not derived by a numerical summary of the elements marked, but depend on the best judgment of the rating officer as to how well the employee meets the broader requirements of the position. This judgment is assisted by the element marks, but is not rigidly determined by them. Greater value should be given to elements which are underlined in arriving at the numerical rating. **There should be a reasonable correspondence between the marks on the elements and the numerical ratings on the titles.**

h. **Consider the performance of each employee for the entire period for which you are rating him.** Do not permit yourself to be unduly influenced by his performance during the few weeks immediately preceding the rating.

i. Ratings should be objective judgments of the performance of employees, uninfluenced by such irrelevant and immaterial factors as personal loyalty, sympathy, friendship, or desire to promote on the part of the rating officer.

j. If an employee is detailed or assigned to a job classified in a grade lower or higher than the employee's present classification, allowances should be made in rating in the interests of justice to this employee, as well as to others in the same grade who are in competition with him. (Such circumstances should be noted on the rating form.)

k. You should not allow unsatisfactory conduct to influence your rating except as it has affected the employee's performance. The question of deportment, which is found at the bottom of the rating sheet, must be answered, and any answer other than "yes" must be explained in the space provided on the back of the rating form.

l. Your first estimate should be recorded lightly with pencil. Your final conclusions should be recorded in black ink and tentative marks in pencil should be thoroughly erased.

m. **Do not fill in "Report to Employee."**

n. It is unwise to discuss the rating with the employee prior to review and final rating, since the rating which you enter on the form is subject to change by the Reviewing Officers or by the Rating Committee.

o. When your rating forms have been completed and all numerical entries made, sign and date the forms and return them to the Executive Director for the consideration of the Reviewing Officers.

7. **Instructions for Reviewing Officers.** The functions of the Reviewing Officers are to confirm or modify the judgment of the Rating Officer, based upon the more or less immediate knowledge of the employee and of the Rating Officer on the part of, or by, the Reviewing Officers. The function extends to the modification of ratings which manifest unreasonably large variation in standards of rating principles among the several sectional divisions or offices. Reviewing Officers will be governed by the following instructions:

a. Review carefully the rating forms and instructions thereon and the instructions incorporated in this memorandum.

b. Examine in detail the rating forms submitted by the Rating Officer. Compare the ratings in various ways in order to insure fairness to all employees. Group ratings by grade to see that no one grade is unduly favored or penalized, and by administrative supervisors in order to verify that they have judged by the same standards.

c. Make notations in pencil as to the views of the Reviewing Officers, individually or collectively as the case may be, as to what the final rating should be. If the opinions of two or more of the Reviewing Officers differ in individual cases from those of the Rating Officer, the Rating Officer must be consulted before the final judgment of the Reviewing Officers is entered upon the form.

d. When the Reviewing Officers have reached final conclusions, their ratings are to be entered in red ink on the service rating forms, but the markings and ratings indicated by the original Rating Officers are not to be crossed out or erased. The Reviewing Officers will indicate their own plus, minus, and check marks as to each separate element in which their opinions differ from that of the Rating Officer. Reviewing Officers will enter their own numerical ratings on each of the three titles and the sum of such ratings.

e. Each Reviewing Officer will sign each rating form reviewed. The service rating forms, thus rated and thus reviewed, then will be transmitted to the Rating Committee by the Executive Director.

8. **Functions of the Rating Committee.** The primary responsibility of the Rating Committee is to establish fairness and equity in rating as among the sections and offices to which the personnel of the Unemployment Compensation Division are assigned, and, as well, among the personnel of each section and office. In the furtherance of this responsibility, it will survey ratings by sections and offices, and will consult with appropriate officials if any evidences of inequites appear. The Rating Committee may require a general readjustment of ratings within any section or office, or it may require additional information from the employee's immediate administrative supervisor, or from the administrative supervisor of a section or office, before concurring in the rating or ratings established by the rating and reviewing officers. The Rating Committee, in accordance with this responsibility, will enter the adjective ratings under "Report to Employee," according to the "Sum of Ratings" and the formula exhibited on the service rating form. The Rating Committee will mark the adjective ratings of each employee on "Form ....., Report to Employee," and retain permanently all service rating forms in the files of the Advisory Committee on Personnel. The Form ....., Report to Employee, bearing the adjective rating of the employee, will be transmitted to the Executive Director and, after adjective ratings have been entered on personnel records, such forms will be distributed to employees through regular administrative and supervisory channels.

9. **Appeals.** An employee may appeal from a service rating by giving notice in writing to the Secretary of the Advisory Committee on Personnel within five days after receipt of the notice, "Form ....., Report to Employee." The Secretary will notify the employee as to the time and place designated for a hearing by the Advisory Committee, which hearing will be conducted in the presence of the Rating and Reviewing Officers by whom such employee's service rating was established. The decision of the Advisory Committee with respect to the rating already established, or to any modification thereof, shall be final.

Results of Ratings

Service Ratings were prepared for 66 employees of the Unemployment Compensation Division. The high standard of performance among agency

employees is reflected in the following tabulation of final ratings achieved:

Excellent	4
Very Good	45
Good	16
Fair	1

Continued Development of Merit System

Ratings of performance have a logical place in the development of the Merit System. By means of such ratings the principle of merit is continued from the selection and appointment of personnel through the later phases of advancement and transfer, as these steps are made desirable in administration of the program.

Selection of personnel on a non-partisan merit basis has been in effect in the Arizona Unemployment Compensation Agency since registers were first established on July 1, 1938. These registers were set up in accordance with regulations for Merit System adopted by the Commission on March 4, 1938. The cost of operating the Agency has declined steadily since the early part of 1938, and a substantial part of this decline may be credited to increased efficiency of personnel. Following is a tabulation of the number of individuals employed in the Unemployment Compensation Division of the Commission.

June 30, 1938	116
December 31, 1938	75
June 30, 1939	70
September 1, 1939	68

Conclusion

The Advisory Committee is satisfied that the Merit System is operating satisfactorily, and that the efficiency of the State Unemployment Compensation Agency is continuing on a high plane. Since a considerable period has now passed since inauguration of the system, the experience obtained should prove valuable in guiding future development.

The Committee has therefore reached the conclusion that an extensive study of this experience and that of other states should be carried out in the near future, for the purpose of revising the Rules and Regulations for Merit System. By such means it is anticipated that past errors can be corrected, and principles which have proved valuable can be reinforced.

BALANCE SHEET

As of December 31, 1939

I

UNEMPLOYMENT COMPENSATION TRUST FUND

Assets

Cash		
Clearance Fund—State Treasurer	$ 2,435.68	
Unemployment Trust Fund—U. S. Treasury	2,559,855.66	
Valley National Bank—Suspense Account	294.25	
Benefit Payment Account	48,303.33	
Total Assets—Cash		$2,610,888.92
Reserves		
Employers' Contributions*	$5,914,331.20	
Interest on Employers' Contributions*	14,317.85	
Interest on Unemployment Trust Fund*	103,642.29	
Suspense Account	294.25	
	$6,032,585.59	
Benefits Paid£	$3,421,946.62	
Less—Refund of Benefits Paid	249.95	
	$3,421,696.67	
Total Reserve for Payment of Benefits		$2,610,888.92

II

ADMINISTRATION FUND
UNEMPLOYMENT COMPENSATION DIVISION

Assets

Administration Fund—on Deposit with State Treasurer	$ 9,256.70	
Unemployment Compensation Imprest Fund	1,000.00	
Total Assets		$ 10,256.70
Reserves and Balances		
Reserve for Unliquidated Encumbrances	$ 5,379.95	
Balance Available for Re-Allotment	4,876.75	
Total Reserve and Balance		$ 10,256.70

* 1937, 1938, and 1939.
£ 1938 and 1939.

III

ADMINISTRATION FUND
ARIZONA STATE EMPLOYMENT SERVICE DIVISION

Exhibit A.—Statement of Resources and Reserves

December 31, 1939.

Resources		
Cash		
Deposited with State Treasurer	$ 1,763.35	
Items in Transit	457.50	
Imprest Fund	500.00	$ 2,720.85
Appropriations and Grants Receivable Applicable to this Period:		
Local Contributions		25.00
		$ 2,745.85
Reserves		
Reserved for Unliquidated Encumbrances		$ 1,682.46
Unencumbered Appropriations and Grants		1,063.39
		$ 2,745.85

Exhibit B.—Statement of Receipts and Disbursements

For the Period from January 1, 1939 to December 31, 1939

CASH ON HAND JANUARY 1, 1939		$ 903.57
Receipts		
Wagner-Peyser	$ 13,250.00	
Social Security Board	* 100,804.47	
State of Arizona	12,500.00	
Local Contributions	535.00	123,919.47
Total Receipts and Beginning Balance		$ 127,823.04
Disbursements		
Personal Services	$ 93,145.74	
All Other Current Expenses	31,437.64	
Equipment	518.81	125,102.19
CASH ON HAND DECEMBER 31, 1939		$ 2,720.85

* Includes Miscellaneous Receipts in the amount of $13.76, consisting of refunds on sales taxes, etc., paid in previous periods.

ARIZONA STATE EMPLOYMENT SERVICE

Exhibit C.—Summary Statement of Expenditures for the Period from January 1, 1939, to December 31, 1939

Office	Total	Personal Services	Supplies Consumable (A)	Communication Expense	Travel Expense	Heat, Light and Water (B)	Rent of Premises (C)	Alterations and Repairs (D)	Other Current Expense	Equipment Purchases (E)
State Administrative	$ 21,714.71	$14,090.73	$2,158.21	$ 802.30	$ 2,617.06	(1)$.....	$ 1,486.80	$ 88.72	$ 390.22	$ 80.67
Bisbee	8,686.81	6,660.00	....	356.16	983.11	164.40	480.00	4.00	32.92	6.22
Casa Grande	4,775.61	3,540.00	....	102.00	692.05	45.89	240.00	20.22	132.05	3.40
Flagstaff	5,463.08	3,540.00	....	177.18	772.50	(1)	960.00	10.00	....	3.40
Globe (Served Apache Co. 1-1 to 9-30-39)	8,462.79	6,482.50	....	195.60	845.12	(2) 18.99	720.00	4.18	176.00	20.40
Kingman	2,423.13	1,740.00	....	54.69	261.87	73.97	240.00	9.97	42.63	....
Nogales	2,021 31	1,740.00	....	65.86	198.94	16.51	....	....	....	....
Phoenix	32,946 30	25,433.22	....	1,137.26	902.79	(2) 237.17	3,900.00	113.31	1,085.55	(1) 137.00
Prescott	8,913.75	7,040.00	....	226.72	642.28	(1)	960.00	16.65	14.50	13.60
Safford (Serves Greenlee County)	4,002.40	3,387.74	....	97.11	505.92	....	....	11.63	....	....
Tucson	16,365.11	12,797.34	....	477.85	680.39	178.07	1,800.00	48.29	376.95	6.22
Winslow (Served Apache Co. 10-1 to 12-31-39)	2,553.20	1,667.50	....	126.05	443.65	(1)	300.00	....	16.00	....
Yuma	6,521.17	4,801.71	....	121.59	921.12	(3) 35.56 (1)	200.00	45.29	97.00	298.90
Total	$124,849.37	$92,920.74	$2,158.21	$3,940.37	$10,466.80	$770.56	$11,286.80	$372.26	$2,363.82	$569.81

(A) Supplies Consumable: Allotments for this category are made to the Administrative Office for all ASES Offices. However, we endeavor to distribute such purchases over the entire State.

(B) Heat, Light and Water: (1) All such facilities included in rental. (2) Partially included in rental. (3) Facilities furnished by City of Yuma until 7-1-39.

(C) Rent of Premises: (1) Quarters furnished by City of Yuma until 7-1-39.

(D) Alterations and Repairs: Applies to both premises and equipment.

(E) Equipment Purchases: (1) Phoenix Office—actual purchases were in the amount of $137.00, as shown. However, an encumbrance in the amount of $127.50, reported for the calendar year 1938, was cancelled in 1939, leaving a net figure of $9.50.

ARIZONA STATE EMPLOYMENT SERVICE DIVISION

Background of Service

The Arizona State Employment Service is one of the divisions of the Arizona Unemployment Compensation Commission which was created by Section 12 of the Unemployment Compensation Act of 1936. Primarily, its work is to register and classify occupationally all individuals presenting themselves to its offices seeking employment, and to do its utmost to place those individuals in gainful employment. Its secondary, or kindred work, is to accept claims for unemployment compensation from those applicants who are unemployed and are otherwise eligible.

The present Employment Service Division of the Commission is the continuation of predecessors, the first of which was established in 1917, and which functioned more or less effectively from that time. Sometimes the Service had several offices over the State, but most of the time it boasted of but one—located in Phoenix. From 1933 through most of 1937 the work of the Arizona State Employment Service was supplemented by the National Reemployment Service, during which period the offices, besides making referrals to most of the public works projects then in progress, developed desirable employment relations and were instrumental in making many placements with private industry. In most instances those offices were located in unattractive buildings, or parts of other offices, and were furnished with borrowed, donated and generally makeshift equipment. With the coming of the Unemployment Compensation Law of 1936 the integration of this well-established function with the newer program of unemployment compensation was effected, and most of the offices secured new, larger and more desirable quarters, as well as adequate modern equipment and supplies.

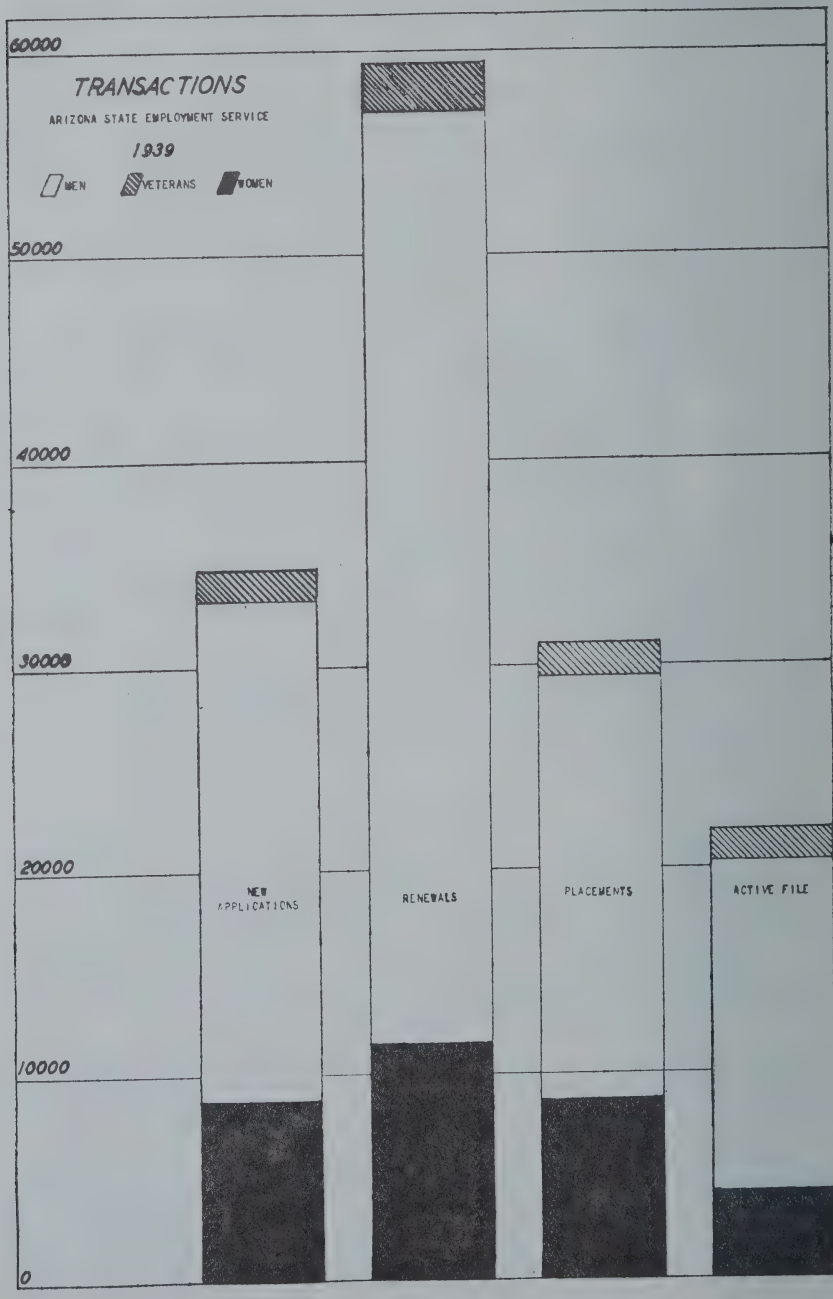
During 1938 the offices of the Service, in addition to accepting the mass of initial and continued claims for unemployment compensation, did a very creditable job of placement work, gradually increasing its records in this line as the year progressed.

1939 Record

By 1939 many lessons of the "new order" had been well learned, business appeared on the up-grade, and extra effort was put into the placement function. As a result, with the exception of February, every month of 1939 showed more placements than did the corresponding month of 1938. Particularly gratifying is the fact that this excellent increase has been entirely in placements to private employers, since the number of public placements has decreased. A total of 30,896 placements were made in 1939, 43.50 per cent above the 21,530 made in 1938. Of these 26,030 were placements in private industry, 73.55 per cent above the 14,998 for 1938.

More significant on employment conditions is the fact that despite 34,711 new applications for employment registered with the twelve offices, the active file has been reduced 11.88 per cent from 24,680 in January to 21,748 as of December 31, 1939.

In the specialized fields which the Wagner-Peyser Act sets up for particular attention, viz., Veterans' Placement, Farm Placement, Junior Placement and aid to the physically handicapped, the Employment Service has functioned well. The number of veterans placed increased from 1,464 in 1938 to 1,543 in 1939. More rigid control of the migration of farm labor has been effected, yet the farmers have been better supplied than ever before with


60000
TRANSACTIONS
ARIZONA STATE EMPLOYMENT SERVICE
1939
MEN
VETERANS
WOMEN
50000
40000
30000
20000
10000
0
NEW APPLICATIONS
RENEWALS
PLACEMENTS
ACTIVE FILE

workers to harvest their crops. In addition to the Junior Placement Counselor installed in the Phoenix office during 1938, through cooperation with the National Youth Administration, a Junior Counselor has been added to the staff of the Tucson office. In addition, special procedure for junior placement work has been put into effect in the balance of the offices not having a full time Junior Counselor to aid this class of applicants. Closer cooperation has been effected with the State Department of Vocational Rehabilitation, and the Director of that organization has visited all of the Employment Service offices and has spoken before the personnel in order to better acquaint them with his program.

The Employment Service Division is looked upon as a sales organization and the sales work, the field visiting program, has nearly doubled over 1938. In these visits representatives of the offices not only contact employers to offer placement service, but to study conditions of their business, the number and kind of personnel they generally need, and the training and experience necessary for workers referred to them. Furthermore, they discuss problems of unemployment compensation, and kindred matters.

On the whole it would appear, as the Service enters the year 1940, that the field work of the Commission carried on through the Arizona State Employment Service Division is working on a firm foundation and should reach new heights in its record of effectiveness.

Table 3.—Arizona State Employment Service: Total Placements, 1939

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
Phoenix	789	421	464	854	720	972	619	596	1,467	2,434	2,361	2,112	13,809
Bisbee	263	170	253	305	413	450	385	417	315	295	339	398	4,003
Tucson	648	231	246	257	265	217	202	409	350	395	303	406	3,929
Casa Grande	56	16	42	31	24	33	66	144	385	366	797	629	2,589
Flagstaff	60	37	129	94	198	193	83	113	227	253	236	115	1,738
Globe	33	23	48	31	121	118	52	75	218	227	87	52	1,085
Prescott	36	30	57	75	81	91	101	88	97	84	62	110	912
Winslow	21	11	30	42	86	53	35	51	128	82	92	70	701
Yuma	31	18	29	23	39	35	31	86	43	96	99	104	634
Safford	32	9	52	21	48	54	34	28	33	52	62	43	468
Kingman	27	43	29	42	40	32	42	36	60	30	34	40	455
Nogales	26	19	23	19	25	25	29	28	18	13	53	29	307
St. Johns	43	9	9	20	51	41	42	51	----	----	----	----	266
State Totals	2,065	1,037	1,411	1,814	2,111	2,314	1,721	2,122	3,341	4,327	4,525	4,108	30,896

Private Placements, 1939

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
Phoenix	738	399	414	744	677	919	561	530	1,447	2,421	2,336	2,072	13,258
Bisbee	204	145	230	278	336	409	378	374	294	227	301	339	3,515
Tucson	90	118	120	171	222	126	163	345	341	384	301	401	2,782
Casa Grande	52	2	31	20	24	27	23	80	334	302	742	586	2,223
Globe	29	23	30	16	112	97	37	49	183	222	82	50	930
Flagstaff	23	22	51	43	86	47	41	54	65	73	149	50	707
Prescott	29	24	50	68	51	64	71	52	64	60	42	107	682
Winslow	16	10	13	8	75	47	31	32	61	57	55	40	445
Yuma	30	15	20	8	37	35	27	47	32	25	57	65	398
Kingman	18	6	9	41	38	26	31	23	54	28	33	40	347
Safford	3	7	3	17	31	39	32	19	25	41	29	31	277
Nogales	26	18	23	19	22	22	14	18	17	13	53	29	274
St. Johns	42	9	9	20	28	36	36	12	----	----	----	----	192
State Totals	1,303	798	1,003	1,453	1,739	1,894	1,445	1,635	2,917	3,853	4,180	3,810	26,030

NOTE: Figures for area formerly covered by St. Johns office included with those for Winslow commencing September 1, 1939.

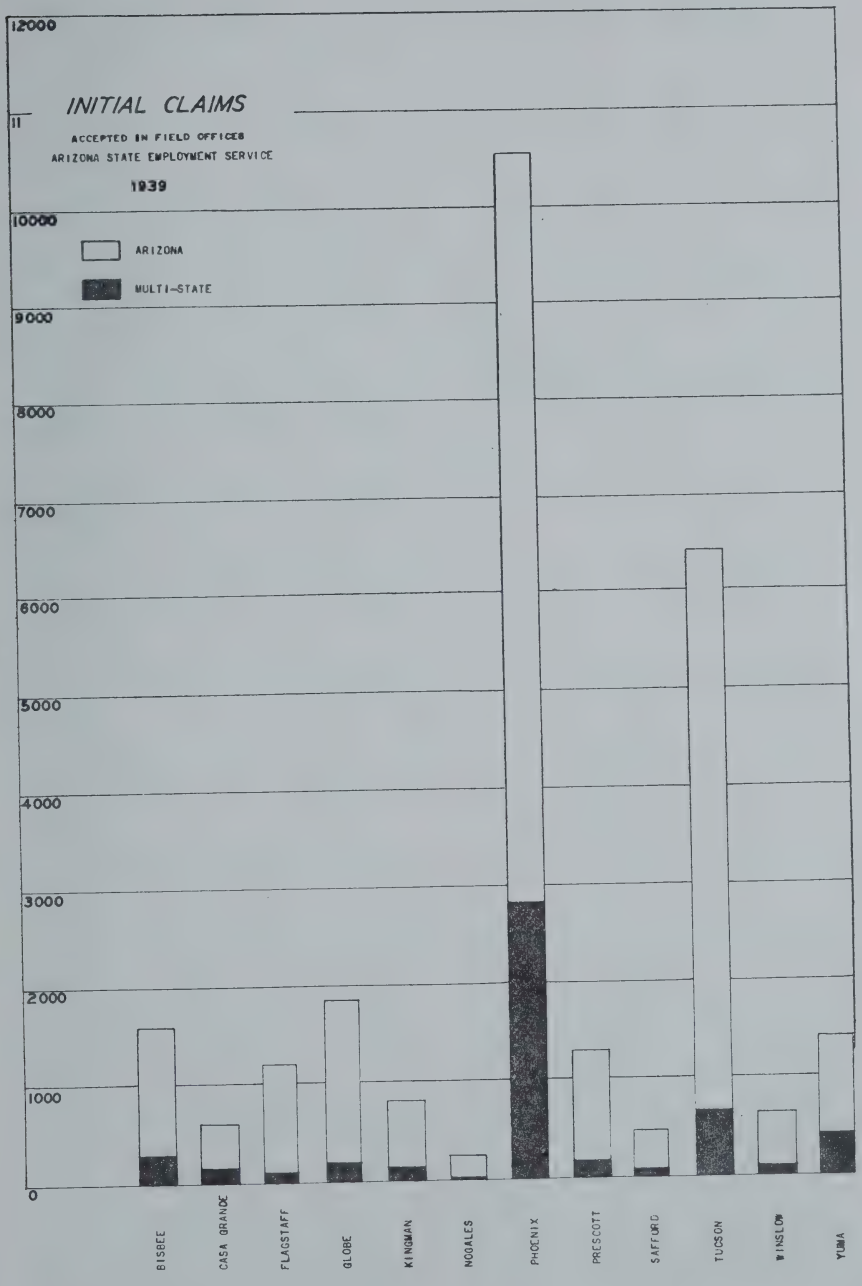

INITIAL CLAIMS
ACCEPTED IN FIELD OFFICES
ARIZONA STATE EMPLOYMENT SERVICE
1939
ARIZONA
MULTI-STATE
12000
11
10000
9000
8000
7000
6000
5000
4000
3000
2000
1000
0
BISBEE
CASA GRANDE
FLAGSTAFF
GLOBE
KINGMAN
NOGALES
PHOENIX
PRESCOTT
SAFFORD
TUCSON
WINSLOW
YUMA

Table 4.—Arizona State Employment Service: Initial Claims, 1939

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
Phoenix	1,069	844	732	962	721	675	699	672	658	913	1,156	1,447	10,548
Tucson	306	424	466	646	536	528	584	1,260	422	432	401	406	6,411
Globe	84	99	229	297	140	119	134	233	93	156	138	91	1,813
Bisbee	126	203	143	146	137	132	155	106	89	115	123	109	1,584
Yuma	111	178	80	82	126	124	127	112	84	128	112	128	1,392
Flagstaff	195	184	127	152	90	70	89	90	73	72	98	149	1,389
Prescott	105	115	95	115	95	67	123	135	108	122	125	92	1,297
Kingman	55	139	48	51	77	71	49	53	53	77	96	79	848
Winslow	99	110	60	69	43	28	37	27	29	45	44	68	659
Casa Grande	93	75	54	45	29	37	34	30	46	73	59	68	643
Safford	58	49	32	70	30	19	36	32	34	27	89	34	510
Nogales	20	20	26	22	28	25	19	27	20	30	3	18	258
St. Johns	10	17	85	28	13	21	25	13	----	----	----	----	212
State Totals	2,331	2,457	2,177	2,685	2,065	1,916	2,111	2,790	1,709	2,190	2,444	2,689	27,564

Continued Claims, 1939

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
Phoenix	6,967	7,665	7,960	7,106	7,305	5,825	6,043	6,843	5,939	6,620	6,918	7,392	82,583
Tucson	2,590	2,421	2,763	2,634	3,401	2,995	3,203	4,011	2,098	2,131	2,115	2,133	32,495
Globe	638	738	1,126	1,427	1,355	909	960	1,195	908	800	789	815	11,660
Bisbee	996	923	1,122	814	820	684	858	813	555	597	663	700	9,545
Prescott	809	833	782	670	719	601	670	782	712	832	770	714	8,894
Yuma	1,053	915	835	648	718	628	741	770	627	640	629	645	8,849
Flagstaff	1,054	1,123	839	909	644	394	350	441	277	244	270	456	7,001
Safford	477	417	454	400	414	339	327	325	291	318	458	447	4,667
Kingman	398	500	513	331	336	367	321	324	224	373	403	489	4,579
Winslow	746	731	746	567	423	230	205	202	216	172	153	175	4,566
Casa Grande	694	419	392	268	239	188	143	142	186	290	303	432	3,696
Nogales	191	164	187	210	264	239	248	231	201	212	34	199	2,380
St. Johns	141	77	221	209	113	107	106	83	----	----	----	----	1,057
State Totals	16,754	16,926	17,940	16,193	16,751	13,506	14,175	16,162	12,234	13,229	13,505	14,597	181,972

NOTE: Claims taken in local offices, not all of which were transmitted to Benefit Section. Figures for area formerly covered by St. Johns office included with those for Winslow commencing September 1, 1939.

UNEMPLOYMENT COMPENSATION DIVISION

BENEFIT SECTION

The Benefit Section is charged specifically with the processing of benefit claims, together with the maintenance of records necessary to that function.

Claims filed with the Employment Service are forwarded to this section, where wage records are compiled and reproduced on the International Business Machines' tabulator, and a determination of benefit rights made for each claimant. Checks are issued to cover subsequent compensable claims.

For the purpose of making benefit payments, wage-card and check-card files are maintained, as well as a claimants' folder file, and files for correspondence, social security numbers, separation notices, and supplemental records. The Benefit Section develops procedures and conducts correspondence incidental to benefit payment control.

1939 Operations

Statistical Summary

During the year 1939, 26,909 initial claims were processed, of which 22,892 were found valid and 4,017 invalid. Following is a tabular comparison of the years 1938 and 1939:

Table 5.—Benefit Section, 1938 and 1939: Comparison of outstanding phases of Benefit Section operations for the two years.

	1938	1939	% Change
Initial Claims Received	30,657	27,036	-12
Initial Claims Processed	30,459	26,909	-12
Valid	25,238	22,892	-9
Invalid	5,221	4,017	-23
Number of Benefit Checks Issued	161,630	138,375	-14
Amount of Benefit Payments (gross checks issued)	$1,905,693.76	$1,523,522.62	-20
Automatic Determinations	12,302	8,284	-33

Several factors have operated to produce the changes noted. Increased employment during 1939, especially in the mining industry, has reduced the number of benefit payments. The large number of claimants entering their second benefit year has resulted in an increase of New Claims. Original Claims have been reduced correspondingly.

New Benefit Years

Each benefit year ends 52 weeks after the beginning of the first compensable week in that year. One of the principal tasks of the Benefit Section in 1939 was making new determinations for claimants entering their second benefit year. This operation required setting up a new qualifying period and

weekly benefit amount, as well as carrying over available balances from the first benefit year.

Transfer of Railroad Accounts

A factor in the decrease of benefit payments during 1939 was the transfer of approximately 5,000 railroad workers in the State to federally administered job insurance under the Railroad Retirement Board. The change was effected July 1, 1939, and at that time redeterminations were processed for all active claimants with railroad credit, deleting that portion of their available benefit credit earned in railroad employment. Inactive railroad accounts were then canvassed and a similar adjustment made. Quarterly railroad earnings cards were removed from the files so as not to appear on future determinations.

Seasonality

The following employer classifications have been determined by hearings before the Commission to be seasonal: Operators of Logging Camps and Green Lumber Mills, Cotton Gins and Cotton Oil Mills, Beet Seed Processing Plants, Resort Hotels and Dude Ranches, Box Factories, Citrus Packing and Canning Plants, and Private Schools. Claims records of workers from these industries are systematically coded and their benefit balances split into seasonal and non-seasonal credits. During the off-season only non-seasonal credits may be drawn upon. This procedure involves an adjustment of the benefit balance at the beginning and end of the off-season.

Partial Payments

Very few Arizona workers were affected by the procedure for partial payments, set up in 1939 for claimants working for their regular employers on reduced hours and wages. The number was relatively small in this state, due to the lack of large-scale, semi-seasonal manufacturing.

Fraudulent Claims

A method has been devised for detecting any fraudulent claims which may have been filed during the previous year, at the time a determination for the new benefit year is made. Briefly, the claimant's check list is compared with his wage record covering the same period. Where a likelihood of unreported earnings is apparent, the employer is asked to furnish a detailed earnings record, against which earnings reported by the claimant are checked.

Multi-State Claims

The number of multi-state claims, Arizona liable, has increased during the present year as compared with 1938, contrary to the trend of claims within Arizona. This may be due to more workers becoming familiar with their rights under the Interstate Benefit Payment Plan. A direct comparison between the two years is not possible because multi-state claims were not paid during the first half of 1938.

Multi-state claims for which Arizona is agent are also on the increase. These are forwarded to the central office, where a copy of each is detached and the remaining copies directed to the liable state. Correspondence is conducted through the central office. An exhaustive multi-state procedure, recently completed, is intended to enable claims-takers to comply in each instance with the laws and regulations of the various liable states. This was prompted by the high ratio of invalid claims received from other states, although a special effort is made to acquaint multi-state claimants with provisions of the Arizona Law which affect them.

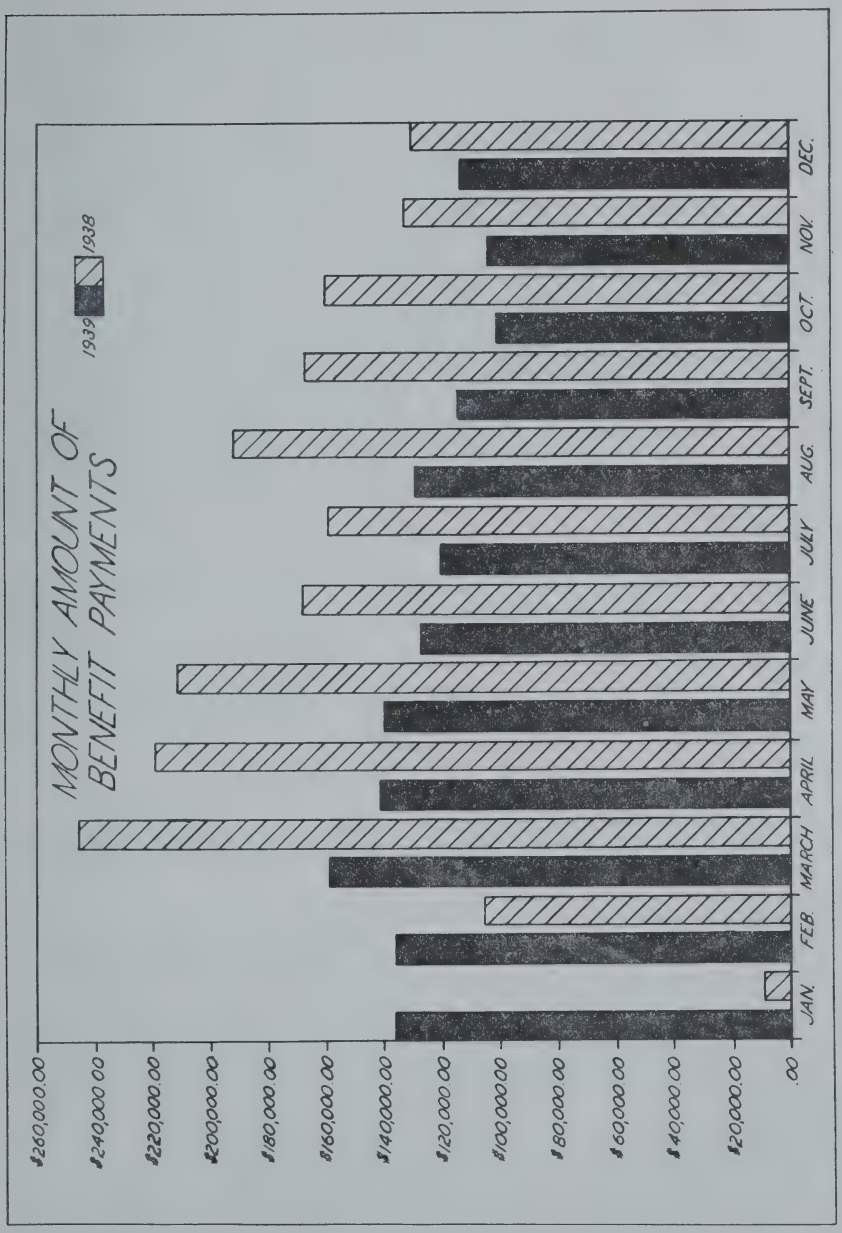

MONTHLY AMOUNT OF BENEFIT PAYMENTS
1939
1938
$260,000.00
$240,000.00
$220,000.00
$200,000.00
$180,000.00
$160,000.00
$140,000.00
$120,000.00
$100,000.00
$80,000.00
$60,000.00
$40,000.00
$20,000.00
.00
JAN.
FEB.
MARCH
APRIL
MAY
JUNE
JULY
AUG.
SEPT.
OCT.
NOV.
DEC.

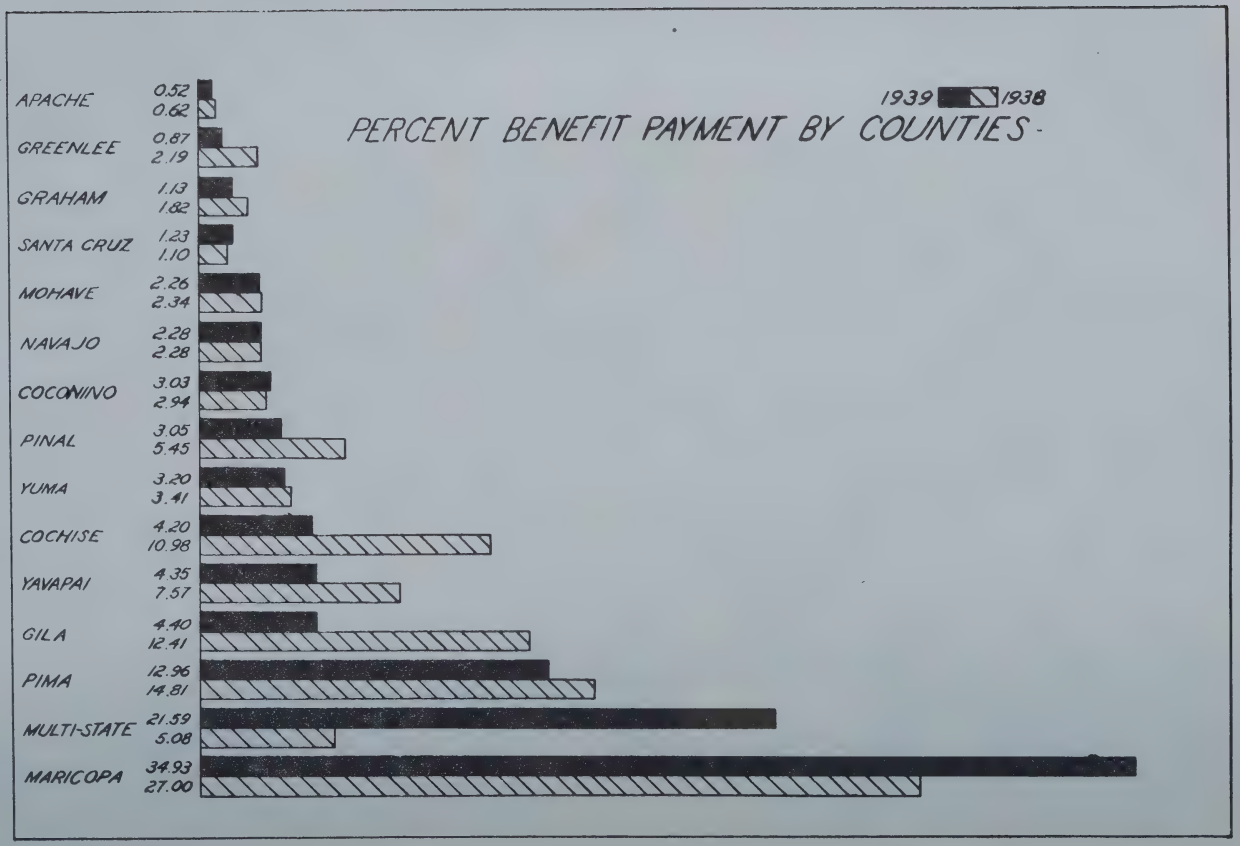
Table 6.—Analysis of Benefits: Claims Received, Allowed, Disallowed, Accounts Opened and Closed, Checks Issued, Amount and Average; 1938-1939

Date	Claims Received				Accounts		Checks Issued		
	Initial	Allowed	Disallowed	Continued	Opened	Closed	Number	Amount	Average
Total to Date	57,693	48,130	9,238	389,177	38,324	33,374	300,005	$3,429,216.38	$11.43
January	5,866	4,034	929	3,249	4,034	0	760	9,627.37	12.67
February	3,110	2,056	443	19,905	2,056	127	8,277	105,252.33	12.73
March	2,671	3,234	711	26,537	3,234	1,146	19,986	246,406.47	12.33
April	2,881	2,402	511	25,077	1,707	1,792	18,317	219,693.68	11.99
May	2,494	2,160	391	21,914	2,828	2,030	18,147	211,547.13	11.66
June	2,090	1,828	282	18,328	1,407	2,576	14,643	168,609.04	11.51
July	2,215	1,805	360	20,270	1,524	1,323	13,828	159,795.60	11.56
August	2,479	2,131	342	22,619	2,063	1,575	16,428	192,623.43	11.73
September	1,978	1,684	346	18,416	1,312	1,342	14,327	167,516.00	11.69
October	1,707	1,394	302	16,201	1,443	1,323	13,735	160,618.16	11.69
November	1,383	1,092	265	14,784	1,023	6,044	11,734	133,430.75	11.37
December	1,783	1,418	339	14,322	1,257	976	11,448	130,566.80	11.41
Total for 1938	30,657	25,238	5,221	221,622	23,888	20,254	161,630	$1,905,693.76	$11.79
January	2,630	2,156	491	16,754	1,141	904	11,838	$ 135,930.80	$11.48
February	2,303	1,773	452	16,926	1,339	1,172	12,134	136,127.34	11.22
March	2,543	2,182	315	17,940	1,385	1,324	14,174	158,878.64	11.21
April	2,797	2,387	355	16,193	1,293	1,027	12,728	141,544.90	11.12
May	2,213	1,876	377	16,751	1,314	1,274	12,820	139,905.67	10.91
June	2,060	1,751	309	13,506	1,201	1,223	11,739	127,401.38	10.85
July	2,266	1,975	335	14,175	1,087	1,192	11,314	121,037.46	10.69
August	2,723	2,382	339	13,590	1,512	1,058	12,177	129,363.53	10.62
September	1,699	1,469	240	10,997	1,129	1,020	10,525	114,966.12	10.92
October	2,079	1,786	284	10,058	1,019	992	9,182	100,990.58	11.00
November	1,864	1,604	258	10,056	986	990	9,450	103,973.47	11.00
December	1,859	1,551	262	10,609	1,030	944	10,294	113,402.73	11.02
Total for 1939	27,036	22,892	4,017	167,555	14,436	13,120	138,375	$1,523,522.62	$11.01

Reorganization and Progress

Part of the integration of divisions undertaken by the Commission during 1939 was the transfer of claims-takers at the local offices from the Benefit Section to the Employment Service. On the other hand, stenographers, I. B. M. workers, and file clerks doing benefit work at the central office were taken into the section, making it a concentrated group along vertical lines under the Chief of Benefits. The number of employees had been reduced from 34 on December 1, 1938, to 25 on December 1, 1939, but the figures are not wholly comparable because of the shifts between departments.

This report of the second year of benefit payments finds the section operating under anticipated adjustments which have resulted in smoother operation. More efficient use of the International Business Machines' equipment has made it possible to mail checks within a day of the receipt of compensable claims at the central office. The possibility of error is largely eliminated by machine accounting and by constant reference to check card files and check lists, listed periodically on the tabulator for each claimant. Seasonal cut-offs are now automatic, as well as benefit year ending cut-offs. Automatic determinations for lag quarter credits are computed, both at the beginning of each quarter, and throughout the quarter as needed.


PERCENT BENEFIT PAYMENT BY COUNTIES -
1939
1938
APACHE 0.52 0.62
GREENLEE 0.87 2.19
GRAHAM 1.13 1.82
SANTA CRUZ 1.23 1.10
MOHAVE 2.26 2.34
NAVAJO 2.28 2.28
COCONINO 3.03 2.94
PINAL 3.05 5.45
YUMA 3.20 3.41
COCHISE 4.20 10.98
YAVAPAI 4.35 7.57
GILA 4.40 12.41
PIMA 12.96 14.81
MULTI-STATE 21.59 5.08
MARICOPA 34.93 27.00

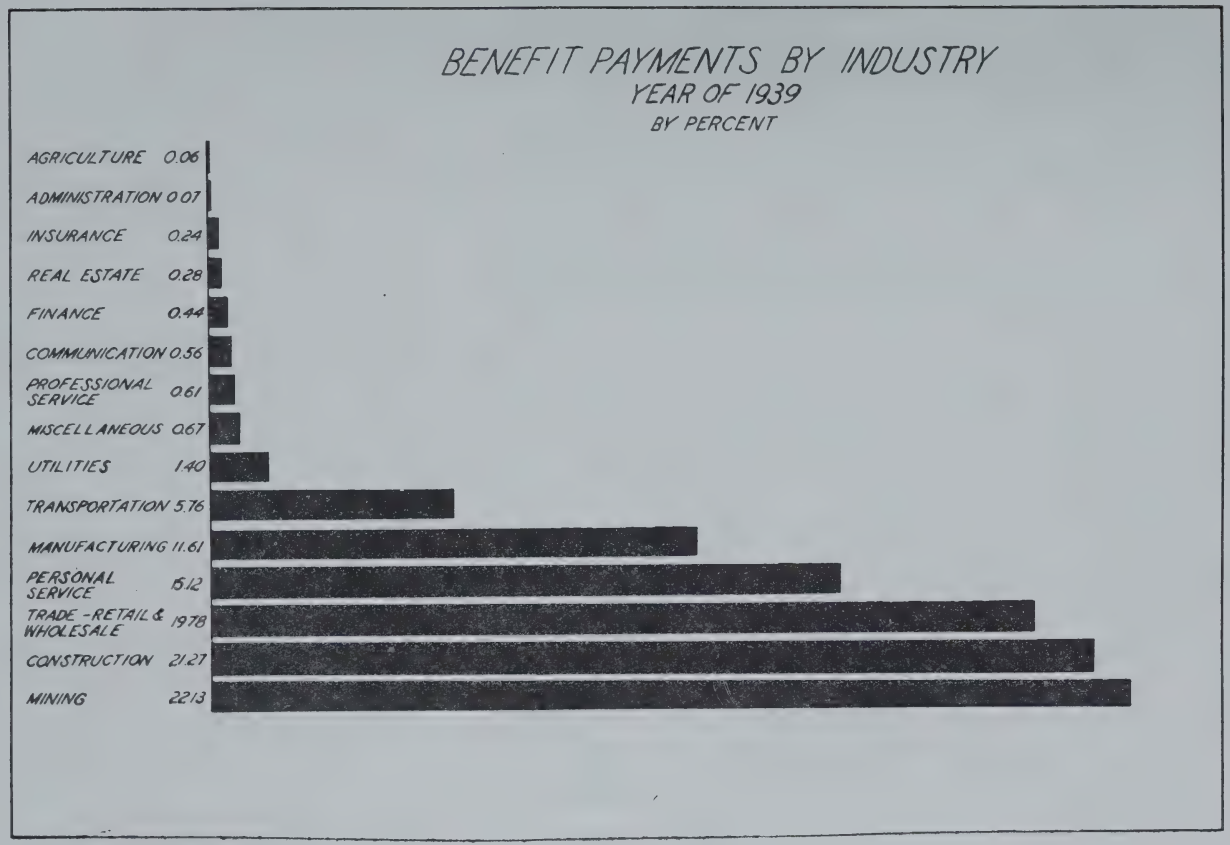

BENEFIT PAYMENTS BY INDUSTRY
YEAR OF 1939
BY PERCENT
AGRICULTURE 0.06
ADMINISTRATION 0.07
INSURANCE 0.24
REAL ESTATE 0.28
FINANCE 0.44
COMMUNICATION 0.56
PROFESSIONAL SERVICE 0.61
MISCELLANEOUS 0.67
UTILITIES 1.40
TRANSPORTATION 5.76
MANUFACTURING 11.61
PERSONAL SERVICE 15.12
TRADE - RETAIL & WHOLESALE 19.78
CONSTRUCTION 21.27
MINING 22.13

Table 7.—Benefit Payments: By Counties for Year 1939

County	January	February	March	April	May	June
Maricopa	$ 45,932.21	$ 49,319.41	$ 55,730.80	$ 47,493.04	$ 47,075.99	$ 43,972.90
Pima	14,629.34	14,612.33	16,763.80	16,569.77	20,549.38	21,026.87
Cochise	7,583.42	6,016.52	7,372.17	6,001.74	5,095.89	5,010.63
Gila	5,017.53	4,451.42	5,528.44	10,256.13	10,068.46	6,051.32
Yavapai	6,103.47	6,421.26	6,416.42	5,214.13	5,190.82	4,758.12
Pinal	4,726.03	4,016.90	4,773.17	1,890.94	3,665.72	3,098.50
Navajo	5,030.49	5,586.36	5,878.60	5,068.03	3,201.43	1,640.62
Yuma	6,743.21	5,035.07	4,422.88	3,199.50	3,278.01	3,665.31
Apache	995.78	596.99	739.52	1,703.75	889.36	514.92
Coconino	5,731.33	7,589.02	7,418.07	6,067.14	3,635.44	2,629.02
Graham	1,617.29	1,491.52	2,181.01	1,818.01	2,177.19	1,616.82
Greenlee	1,716.16	1,473.94	1,167.85	881.00	1,256.46	891.63
Santa Cruz	1,629.83	1,408.67	1,319.69	1,529.50	1,892.67	2,120.53
Mohave	2,661.56	2,907.91	4,247.34	3,547.01	3,159.41	2,807.90
Multi-State	25,813.15	25,200.02	34,918.88	30,305.21	28,769.44	27,596.29
Total	$135,930.80	$136,127.34	$158,878.64	$141,544.90	$139,905.67	$127,401.38

Table 7.— Benefit Payments: By Counties for Year 1939 (Continued)

July	August	September	October	November	December	Total
$ 41,927.93	$ 44,381.38	$ 38,642.67	$ 38,868.07	$ 39,248.47	$ 39,818.61	$ 532,411.48
18,850.34	19,989.20	16,161.04	11,820.29	11,758.70	12,384.80	195,115.86
5,392.21	5,923.60	4,158.68	3,340.40	3,364.53	4,308.80	63,568.59
6,672.29	4,732.74	3,208.05	2,516.43	3,540.04	3,778.73	65,821.58
4,601.13	5,333.02	6,005.85	5,234.80	6,029.31	6,999.01	68,307.34
2,902.66	5,113.01	7,048.43	3,026.37	2,745.25	3,568.59	46,575.57
1,094.10	1,337.26	1,073.06	1,022.20	1,267.17	1,155.86	33,355.18
3,550.46	4,865.76	3,562.62	3,503.84	3,292.57	3,021.32	48,140.55
671.66	446.33	334.27	234.00	150.00	295.74	7,632.32
2,121.03	2,899.52	1,774.50	1,216.21	1,627.03	2,307.54	45,015.85
1,367.05	1,031.71	703.19	897.81	1,034.05	1,200.43	17,136.08
1,014.39	747.47	891.92	1,102.13	1,112.78	2,794.33	15,050.06
1,616.55	1,337.64	1,346.00	1,516.65	1,568.34	1,376.66	18,662.73
2,491.51	2,478.05	2,307.28	2,454.36	2,853.83	4,047.81	35,973.97
26,764.15	28,746.84	27,688.56	24,237.02	24,371.40	26,344.50	330,755.46
$121,037.46	$129,363.53	$114,966.12	$100,990.58	$103,973.47	$113,402.73	$1,523,522.62

Table 8.—Benefit Payments: By Industry for Year 1939

Industry	January	February	March	April	May	June
Agriculture°	$ 27.00	$ 165.81	$ 89.50	$ 108.00	$ 107.02	$ 85.38
Mining	33,213.85	28,017.43	32,986.28	30,955.25	31,561.31	26,690.75
Contract Construction	31,623.58	33,589.55	37,931.28	31,681.85	31,839.68	26,849.15
Manufacturing	14,839.60	14,406.40	17,375.13	18,775.25	15,389.98	14,691.78
Transportation	8,633.37	9,512.70	10,829.52	9,017.18	10,10[illegible].39	9,220.42
Communication	522.34	710.04	677.37	527.77	659.00	508.18
Utilities	2,286.74	2,295.53	1,764.49	1,532.50	2,085.46	1,441.06
Trade—Wholesale and Retail	24,001.63	25,923.90	31,351.26	25,639.72	26,002.65	25,645.29
Finance	422.50	370.75	488.25	782.40	830.83	726.62
Insurance	290.50	433.06	417.75	500.75	227.85	159.92
Real Estate	298.00	317.54	405.05	353.22	443.43	506.00
Administration	234.25	137.81	102.50	126.00	130.97	84.25
Personal Service	18,057.83	18,835.00	22,751.88	19,381.89	18,434.19	18,871.34
Professional Service	769.73	658.42	702.30	862.00	507.69	808.41
Miscellaneous	709.88	770.40	1,006.08	1,301.12	1,549.22	1,112 83
Total	$135,930.80	$136,127.34	$158,878.64	$141,544.90	$139,905.67	$127,401.38

° Not covered by Law, except on a voluntary basis.

Table 8.—Benefit Payments: By Industry for Year 1939 (Continued)

July	August	September	October	November	December	Total
$ 57.50	$ 89.00	$ 123.00	$ 29.00	$ 13.50	$ .00	$ 894.71
25,880.59	29,421.71	26,440.69	20,945.23	22,776.09	28,200.09	337,089.27
23,972.32	22,738.48	19,791.37	20,304.29	20,260.02	23,500.69	324,092.26
13,034.47	15,515.45	16,306.29	12,670.43	12,480.08	11,457.99	176,942.85
8,933.84	7,962.85	4,895.78	3,182.47	2,755.92	2,714.59	87,765.03
641.38	799.12	868.07	816.26	861.99	998.50	8,590.02
1,548.54	1,594.55	1,666.01	1,653.46	1,546.42	1,850.31	21 265.07
24,501.50	26,176.36	23,724.45	21,941.69	23,309.70	23,197.88	301,416.03
791.50	589.67	387.85	438.00	444.68	404.98	6,678.03
158.62	285.24	366.50	240.50	306.75	248.83	3,639.27
426.50	271.91	201.42	289.22	316.71	423.34	4,252.34
80.00	57.37	.00	44.00	81.00	64.17	1,142.32
19,365.48	22,014.32	18,840.77	17,407.52	17,633.07	18,755.33	230,348.62
962.14	957.01	735.58	600.22	714.54	992.59	9,270.63
683.08	890.49	618.34	428.29	473.00	593.44	10,136.17
$121,037.46	$129,333.53	$114,966.12	$100,990.58	$103.973.47	$113,402.73	$1,523,522.62

ACCOUNTING SECTION

The Accounting Section is responsible for all accounting functions, purchasing, maintenance of inventories, delinquency control, and supervision over certain cooperating units of the agency. Including these cooperating units, 15 individuals make up the section personnel. No outstanding changes of procedure took place during 1939. In general, the year's activities were characterized by a greater degree of control over expenditures and a more completely developed authorization procedure for proper clearance of purchases.

A balance sheet summarizing the year's financial operations is printed on page 24.

Administration Fund

Funds for administration of Arizona's unemployment compensation program are not taken from contributions collected by the agency, since they may be expended for benefit payments only. Costs of operation are paid by federal grants, using funds collected under the Social Security Act from employers of eight or more.

Budgets

During 1939, agency budgets were approved by the Social Security board for six-month periods, rather than for the quarterly periods previously used. It has been possible, therefore, to plan expenditures a half-year in advance. A budget request for each period is prepared and submitted by the Accounting Section at least 60 days before the beginning of the period. The budget request is reviewed by (1) the Executive Director, under supervision of the Commission, and (2) the Social Security Board regional office in Denver, Colorado, before being forwarded to the Bureau of Employment Security, Social Security Board, Washington, D. C., for final approval. Approved budgets for 1939 totaled $282,827.71 for both divisions.

Grants

Grants received from the Board are paid into the agency administration fund by the State Treasurer, and all withdrawals from this fund are made through the State Auditor's office.

During 1939 grants from the federal government were made at irregular intervals. Procedure of the Social Security Board resulted in division of each six-month grant into two installments, except under special circumstances. In the period from January 1 to June 1, when delay of appropriations for the Board itself was reflected in delayed grants to all state unemployment compensation agencies, operating funds were forthcoming in amounts sufficient to operate the organization for but a limited future period.

According to plans outlined by the Social Security Board, grants for each budgetary period will be divided into six installments during 1940. The original grant on each budget will cover all fixed expenses and one-sixth of the remainder approved by the Social Security Board, with an additional grant each month thereafter.

Expenditures

Expenditures from the administration fund are made on the basis of claims approved by the State Auditor, except when immediate payment is necessary, in which case a withdrawal is made from the administration fund upon approval of claims for the proper amount by the State Auditor's office.

Purchases are made in accordance with the approved budget, upon requests signed by department heads. Careful examination of the equipment and supplies purchased, frequently combined with a system of competitive bids, aids in keeping expenditures as low as possible. Efforts are made to spread purchases among local concerns throughout the State, and nothing is purchased outside Arizona which can be obtained within the State. Except for special forms used with mechanical equipment of the agency, all printing is done in union shops within the State of Arizona.

Methods of purchasing are expected to be crystallized in written procedures within a short time. Revised travel regulations are also in process of preparation.

Maintenance of Equipment; Audits

The Accounting Section maintains at all times a complete equipment record, together with stock and supply control records. Supplies are controlled through a system which shows:

1. Present inventory on hand
2. Periodical consumption
3. Previous purchases; order number; quantity and price paid
4. Estimated minimum and maximum stock

A complete equipment inventory is taken as of June 30 of each year. Purchase records are audited periodically by the Social Security Board, and the State Auditor's office maintains a running audit of claims presented by the agency.

Unemployment Compensation Fund

As shown in the financial statement (page 24), benefit funds of the Arizona Unemployment Compensation Commission are maintained in a clearing account, an unemployment trust fund account, and a benefit account. Moneys in all three of these accounts make up the unemployment compensation fund of the State. An examination of this fund indicates that during 1939 the amount available for benefits increased from $1,926,903.78 to $2,610,888.92. It should be noted, however, that an estimated $300,000 must eventually be transferred to the Railroad Retirement Board to help pay benefits of railroad employees for whom the sum was contributed.

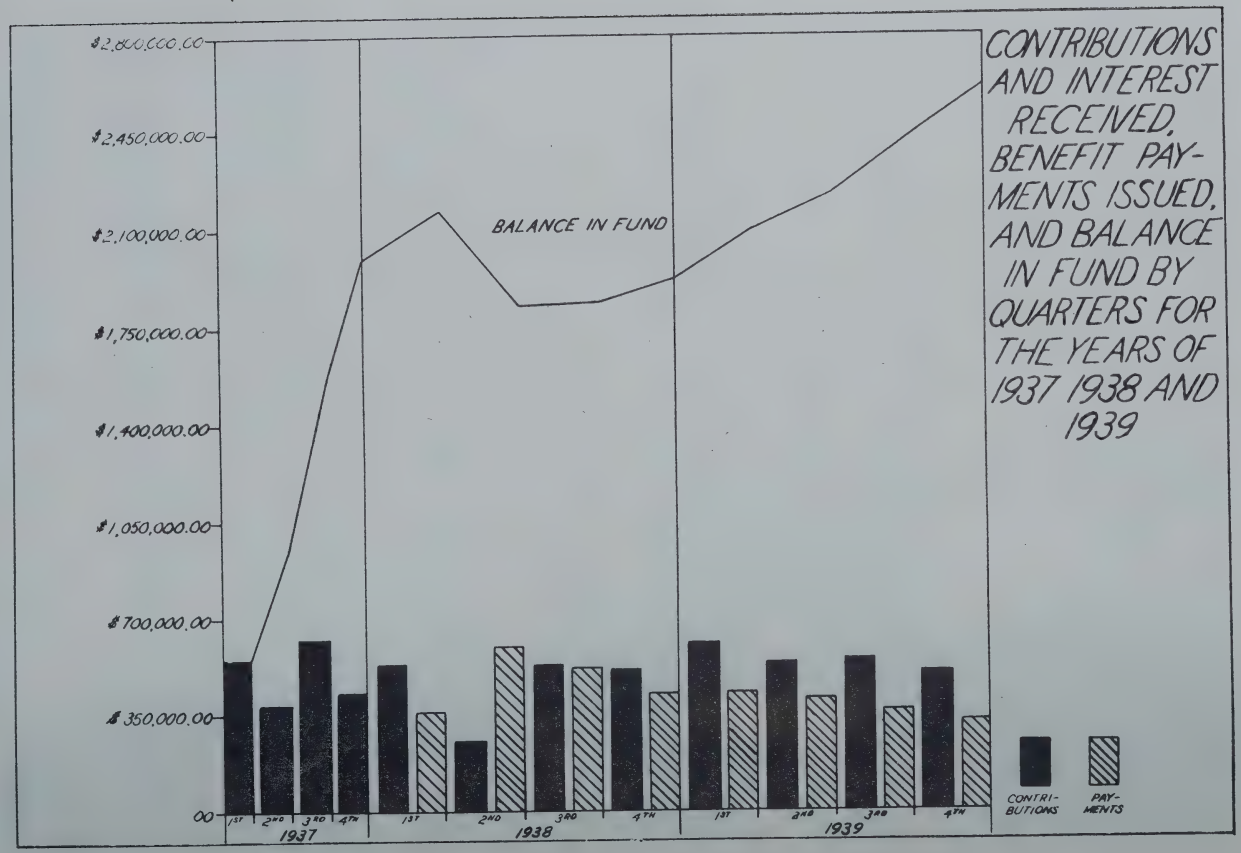
Source of Fund: Contributions

The benefit fund is made up of contributions collected from employers covered by the Unemployment Compensation Law. Contribution reports received quarterly from employers are audited by the Accounting Section as received, and a current ledger is maintained to show the status of each account. A consolidation of the mixed mechanical equipment now used with employer accounts is being considered.

A systematic method of controlling delinquencies is used by the Accounting Section, and every effort is made to reduce delinquencies by other means before they are referred to the Legal Counsel.

Merit Rating for Employers

Paragraphs (c) and (e), Section 7, of the Arizona Unemployment Compensation Law, set forth a method whereby contribution rates in 1941 and thereafter will be based on the individual employers' success in preventing unemployment. It is considered necessary that the Accounting Section set up methods of procedure during the early part of 1940, in order that all required


$2,800,000.00
$2,450,000.00
$2,100,000.00
$1,750,000.00
$1,400,000.00
$1,050,000.00
$700,000.00
$350,000.00
00
BALANCE IN FUND
1ST
2ND
3RD
4TH
1937
1938
1939
CONTRI-BUTIONS
PAY-MENTS
CONTRIBUTIONS AND INTEREST RECEIVED, BENEFIT PAYMENTS ISSUED, AND BALANCE IN FUND BY QUARTERS FOR THE YEARS OF 1937 1938 AND 1939

records may be in proper order to compute the variable rates to be paid by employers in 1941.

Maintenance and Distribution of Funds

Contributions received by the cashier are deposited in a clearing account maintained by the State Treasurer. Any refunds to be made are requisitioned from this fund. Contributions are thence transferred to a trust fund account in the United States Treasury, where they are credited to the State. Interest accrues to the trust fund at a rate of approximately 2½ per cent annually. During 1939 accrued interest of this fund amounted to $49,174.39, or about $4,097.80 per month. Funds necessary for benefit payments, requisitioned from the trust fund account as needed, are paid to the State Treasurer, cleared through the State Auditor's office in a procedure inaugurated in 1939, and disbursed to eligible claimants from a bank account set up by the Commission.

Up to the end of 1939, between ten and twelve transfers from the clearing account to the trust fund were made annually. The Commission is now contemplating daily transfers during 1940, to avoid accumulating large amounts in the non-interest-bearing clearing account.

Other Functions of Section

The Accounting Section also supervises the work of the duplicating, mail, stock room, messenger, and switchboard units, and has management and coordinating duties with respect to the informational and statistical units under instructions issued July 25, 1939.

The Chief Accountant also serves as chairman of the Appeals Tribunal, which hears disputed benefit cases in which an appeal has been filed.

Table 9.—Field Advisers' Work: January 1, 1939, to December 31, 1939

Item	Quarter Ending March 31, 1939	Quarter Ending June 30, 1939	Quarter Ending September 30, 1939	Quarter Ending December 31, 1939	Total
Number Field Advisers	5	5	4	4	
Number Days Worked	331	313	227	234	1,105
Completed Assignments	1,323	1,151	865	860	4,199
New Accounts Secured					
Number	129	56	95	77	357
Amount	$ 9,909.36	$ 3,984.75	$ 5,410.58	$ 6,495.31	$25,800.00
Audits Made	669	614	468	368	2,119
Supplemental Contribution Reports Secured					
Number	82	107	47	52	288
Amount	$ 3,667.13	$ 3,527.73	$ 1,507.53	$ 4,476.56	$13,178.95
Contribution Reports Secured					
Number	361	364	294	271	1,290
Amount	$21,898.83	$18,670.92	$14,380.73	$25,956.11	$80,906.59
Contributions Collected					
Number	245	262	237	181	925
Amount	$14,085.70	$10,329.91	$ 9,550.22	$15,529.38	$49,495.21
Travel Expense	$ 1,379.56	$ 1,204.86	$ 871.89	$ 914.89	$ 4,371.20

FIELD SECTION

Functions

Personnel of the Field Section act in an advisory capacity to employing units on all phases of the Law, particularly in regard to the purpose of the program and the proper manner of keeping payroll records and filing reports.

Audits of employing units are made to determine liability or non-liability for contributions under the Law. If liability is established further audit is made to determine if wages payable are being correctly reported. Audits made of covered employers have resulted in securing supplemental reports in the amount of $13,178.95 during the year 1939. These reports have also enabled many unemployed individuals to secure all benefits to which they were entitled.

The Field Section is also charged with maintenance of files covering active, inactive, and exempt accounts. Determination of the status of an account rests upon the audit made by personnel. All information regarding accounts, whether obtained by personnel or furnished in the form of reports by employing units to the central office, is contained in these files.

Progress

The history of the Field Section has been one of continuous improvement and growth since the Commission was first established. In 1937 the work was primarily that of securing initial reports and contributions from subject employers. In 1938 emphasis was placed on creating a sound cooperative relationship with employers and auditing prior payroll records. In 1939 emphasis was again placed on building and keeping a sound public relationship, making payroll audits, securing delinquent reports and contributions, and assisting other departments in securing such records as were needed.

Coverage

The number of active employer accounts had increased to 3,664 on December 31, 1939, despite the fact that some 20 accounts became inactive when the Railroad Unemployment Insurance Act went into effect July 1, 1939. This figure compares with 3,134 active employer accounts on January 1, 1938, and with 3,445 active employer accounts on January 1, 1939.

Delinquency

After three notices regarding delinquency have been mailed, a personal call by a field adviser has been found an effective means of reducing the number of delinquent accounts which must be referred to the Legal Counsel for action. In all cases the Field Section attempts to prevent delinquencies by informing employers of their responsibilities.

Personnel Meetings

Frequent meetings of Field Section personnel are held to consider effective ways of handling the problems encountered.

Travel Costs

Because employees of the section act in an advisory capacity to all employing units within Arizona, it is necessary that a good deal of their work be done on field trips to various sections. The large area and scattered population-centers of the State constitute a natural difficulty in the matter of travel expense. Travel costs thus form a recurring problem which the Field

Section has attacked by development of a routine designed to permit the greatest possible amount of work to be accomplished for the funds expended. On field trips, as in the central office, all types of calls (i. e. audits, delinquent accounts, new accounts, informational calls, etc.) are made in one district before traveling to another. Through careful planning, therefore, a maximum amount of information is obtained at a minimum travel cost. In the field, close cooperation between the Employment Service and the Field Section makes for high efficiency in covering thoroughly the work to be done in any given district. Information obtained through the Employment Service saves both time and mileage in making a complete survey of employing units.

Statistical Summary

A summary of the work accomplished by the field advisers during the year 1939 appears on page 48.

Table 10.—Covered Employees by County: First Nine Months, 1939*

County	Jan.	Feb.	March	April	May	June	July£	Aug.	Sept.
Maricopa	19,986	19,566	20,109	19,360	19,031	19,020	18,895	18,371	19,380
Pima	10,141	10,016	10,080	9,990	9,633	9,494	7,363	7,477	8,153
Cochise	4,753	4,626	4,831	5,040	5,015	5,093	4,515	4,624	4,831
Gila	3,670	3,574	3,381	3,407	3,453	3,563	3,566	3,471	3,875
Yavapai	3,532	3,479	3,438	3,489	3,695	3,772	3,176	3,027	2,999
Pinal	2,480	2,504	2,480	2,453	2,544	2,530	2,319	2,281	2,327
Navajo	1,342	1,302	1,347	1,440	1,637	1,641	847	850	797
Yuma	1,734	1,760	1,939	1,712	1,668	1,591	1,169	1,165	1,185
Apache	1,016	956	921	1,115	1,178	1,248	943	946	963
Coconino	1,678	1,561	1,770	1,889	2,170	2,449	2,232	2,150	1,887
Graham	641	583	613	637	604	624	567	600	633
Greenlee	1,148	1,187	1,211	1,228	1,265	1,292	1,364	1,425	1,452
Santa Cruz	1,082	1,114	1,188	1,093	1,032	1,084	998	1,014	1,060
Mohave	1,271	1,102	1,124	1,194	1,198	1,195	1,219	1,227	1,270
State Wide	3,675	3,487	3,654	3,714	3,521	3,705	3,403	3,784	3,815
Total	58,149	56,817	58,086	57,761	57,644	58,301	52,576£	52,412	54,627

* Source: Employers' Contribution Reports. Compiled on the 15th of the month following due date. Reports for October, November, and December not due from employers until end of January.

£ Railroads covered through June only.

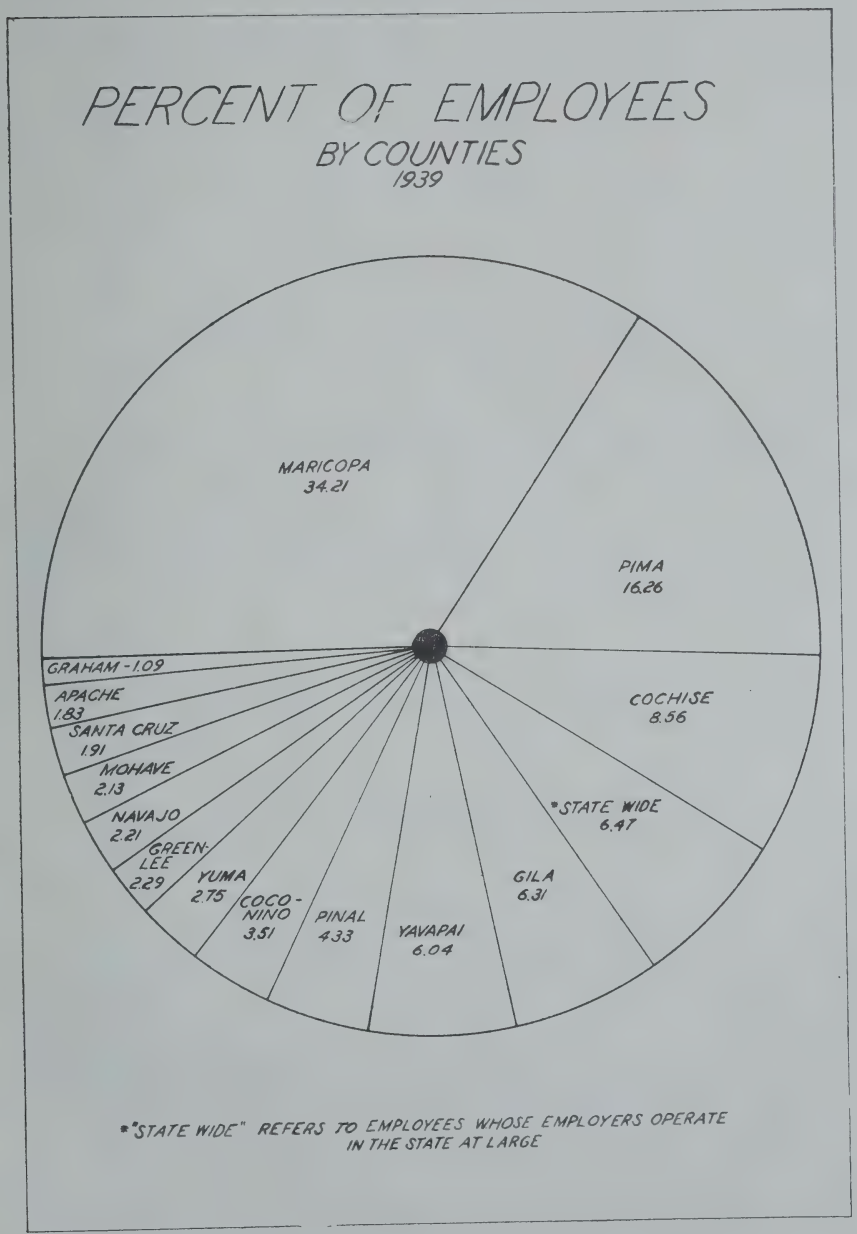

PERCENT OF EMPLOYEES
BY COUNTIES
1939
MARICOPA
34.21
PIMA
16.26
COCHISE
8.56
*STATE WIDE
6.47
GILA
6.31
YAVAPAI
6.04
PINAL
4.33
COCO-
NINO
3.51
YUMA
2.75
GREEN-
LEE
2.29
NAVAJO
2.21
MOHAVE
2.13
SANTA CRUZ
1.91
APACHE
1.83
GRAHAM - 1.09
*"STATE WIDE" REFERS TO EMPLOYEES WHOSE EMPLOYERS OPERATE
IN THE STATE AT LARGE

Table 11.—Covered Employees by Industry: First Nine Months, 1939*

Industry	January	February	March	April	May	June	July	August	September
Agriculture£	45	0	0	0	0	0	0	0	0
Mining	10,521	10,316	10,405	10,380	10,336	10,397	10,840	10,995	11,567
Contract Construction	3,911	3,460	3,170	3,305	3,466	3,730	3,629	3,719	4,075
Manufacturing	7,364	6,988	7,172	6,994	7,091	7,322	7,292	6,977	7,335
Transportation	6,842	6,994	7,193	7,425	7,942	8,164	1,584†	1,574	1,678
Communication	962	960	976	980	974	984	986	962	978
Utilities	1,408	1,505	1,518	1,446	1,518	1,571	1,632	1,652	1,669
Trade—W & R	15,569	15,119	16,174	16,317	15,711	15,613	15,478	15,272	15,772
Finance	355	339	331	321	323	313	313	316	309
Insurance	342	342	340	336	341	351	387	375	372
Real Estate	376	389	393	377	380	394	428	421	418
Administration	237	205	196	192	173	171	185	196	212
Service, Personal	9,386	9,375	9,378	8,799	8,535	8,495	8,920	9,030	9,239
Professional Service	602	596	596	573	553	496	522	537	592
Miscellaneous	229	229	244	316	301	300	380	386	411
Total	58,149	56,817	58,086	57,761	57,644	58,301	52,576†	52,412	54,627

* Source: Employers' Contribution Reports. Compiled on the 15th of the month following due date. Reports for October, November, and December not due from employers until end of January.

£ Not covered by Law, except on voluntary basis.

† Railroads covered through June only.

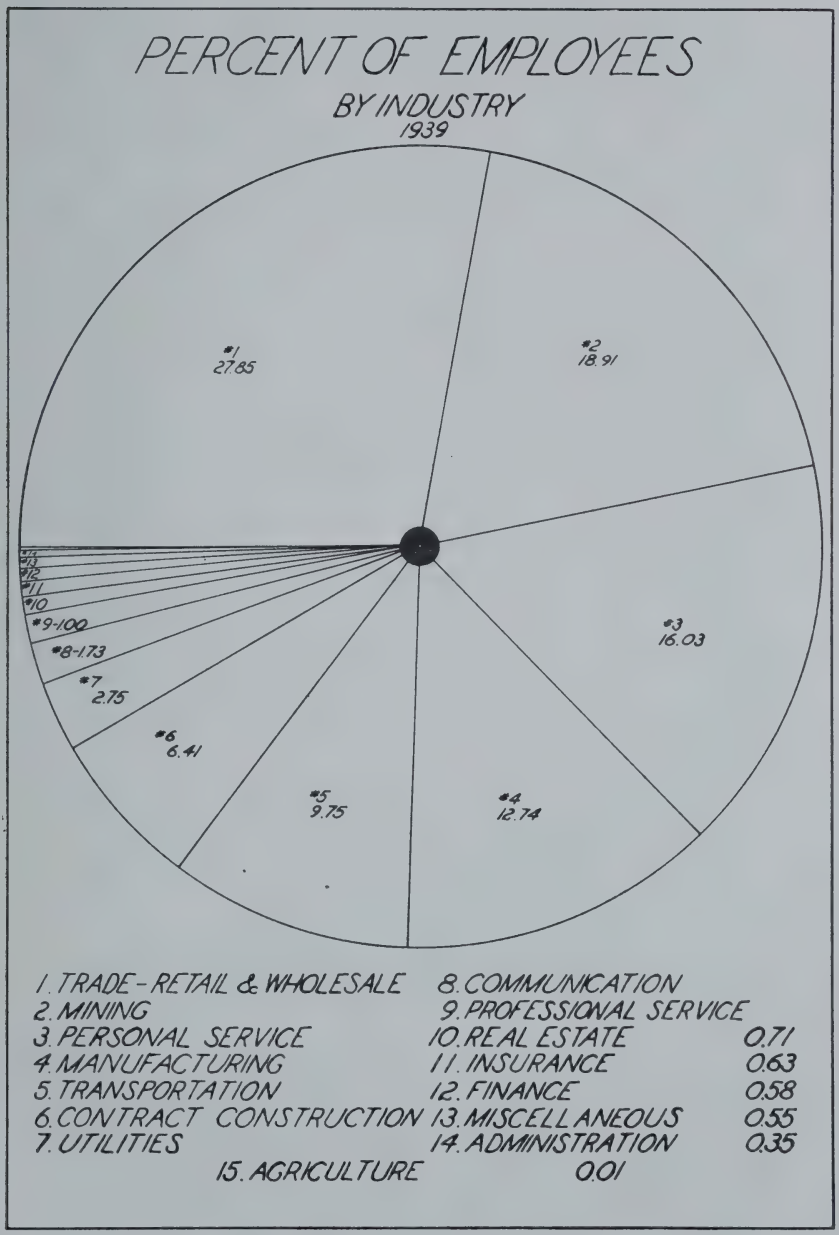

PERCENT OF EMPLOYEES
BY INDUSTRY
1939
*1
27.85
*2
18.91
*3
16.03
*4
12.74
*5
9.75
*6
6.41
*7
2.75
*8-1.73
*9-1.00
*10
*11
*12
*13
*14
*15
1. TRADE - RETAIL & WHOLESALE
2. MINING
3. PERSONAL SERVICE
4. MANUFACTURING
5. TRANSPORTATION
6. CONTRACT CONSTRUCTION
7. UTILITIES
8. COMMUNICATION
9. PROFESSIONAL SERVICE
10. REAL ESTATE 0.71
11. INSURANCE 0.63
12. FINANCE 0.58
13. MISCELLANEOUS 0.55
14. ADMINISTRATION 0.35
15. AGRICULTURE 0.01

Table 12.—Wage Payments by County: First Nine Months, 1939*

County	January	February	March	April	May	June	July	August	September
Maricopa	$2,022,783.09	$1,968,226.56	$2,117,740.20	$2,047,003.46	$1,955,700.70	$1,988,926.78	$2,005,643.81	$1,907,477.51	$1,999,664.12
Pima	1,031,837.21	993,863.49	1,074,230.82	1,004,136.73	989,342.09	1,012,379.90	792,550.71	640,998.10	801,537.69
Cochise	596,168.56	568,144.23	584,072.72	605,256.57	607,138.73	600,183.56	648,142.75	520,874.07	537,606.18
Gila	470,369.15	435,043.93	433,964.42	423,987.67	441,161.34	445,324.93	428,112.37	448,932.42	466,758.83
Yavapai	426,212.70	411,401.17	435,634.62	424,069.13	440,885.23	459,269.93	416,059.44	353,634.31	339,304.30
Pinal	321,678.10	302,349.43	331,485.03	313,145.94	321,651.61	317,674.08	213,113.28	302,950.54	276,208.54
Navajo	170,515.35	155,042.58	171,065.70	173,202.02	190,699.90	207,434.40	74,525.08	77,478.20	72,238.73
Yuma	187,436.26	171,274.62	214,979.93	187,467.07	171,438.53	178,273.16	112,862.02	109,863.51	111,465.41
Apache	87,891.11	82,958.93	82,680.39	92,167.00	105,702.48	106,702.26	76,790.33	78,139.02	77,765.46
Coconino	174,097.59	164,412.88	180,906.94	183,985.93	209,073.54	252,749.86	214,062.79	206,638.64	183,438.32
Graham	58,272.89	52,423.64	55,352.59	54,711.08	53,140.24	55,769.39	45,974.67	46,987.85	49,252.54
Greenlee	127,917.01	131,841.78	136,266.89	138,740.72	144,325.17	149,178.41	203,042.03	162,861.29	165,500.04
Santa Cruz	96,440.38	100,585.35	107,736.39	102,762.96	95,241.42	97,834.35	87,231.73	89,353.27	94,024.01
Mohave	154,938.01	129,027.46	134,905.63	138,115.41	141,905.76	148,093.28	143,503.80	145,560.88	144,852.22
State-Wide	403,998.44	379,109.51	422,362.87	427,004.39	420,582.64	462,627.93	393,548.18	426,270.27	458,548.26
Total	$6,330,555.85	$6,045,705.56	$6,483,385.14	$6,315,756.08	$6,287,989.38	$6,482,422.22	$5,855,162.99£	$5,518,019.88	$5,778,164.65

* Source: Employers' Contribution Reports. Compiled on the 15th of the month following due date. Reports for October, November, and December not due from employers until end of January.

£ Railroads covered through June only.

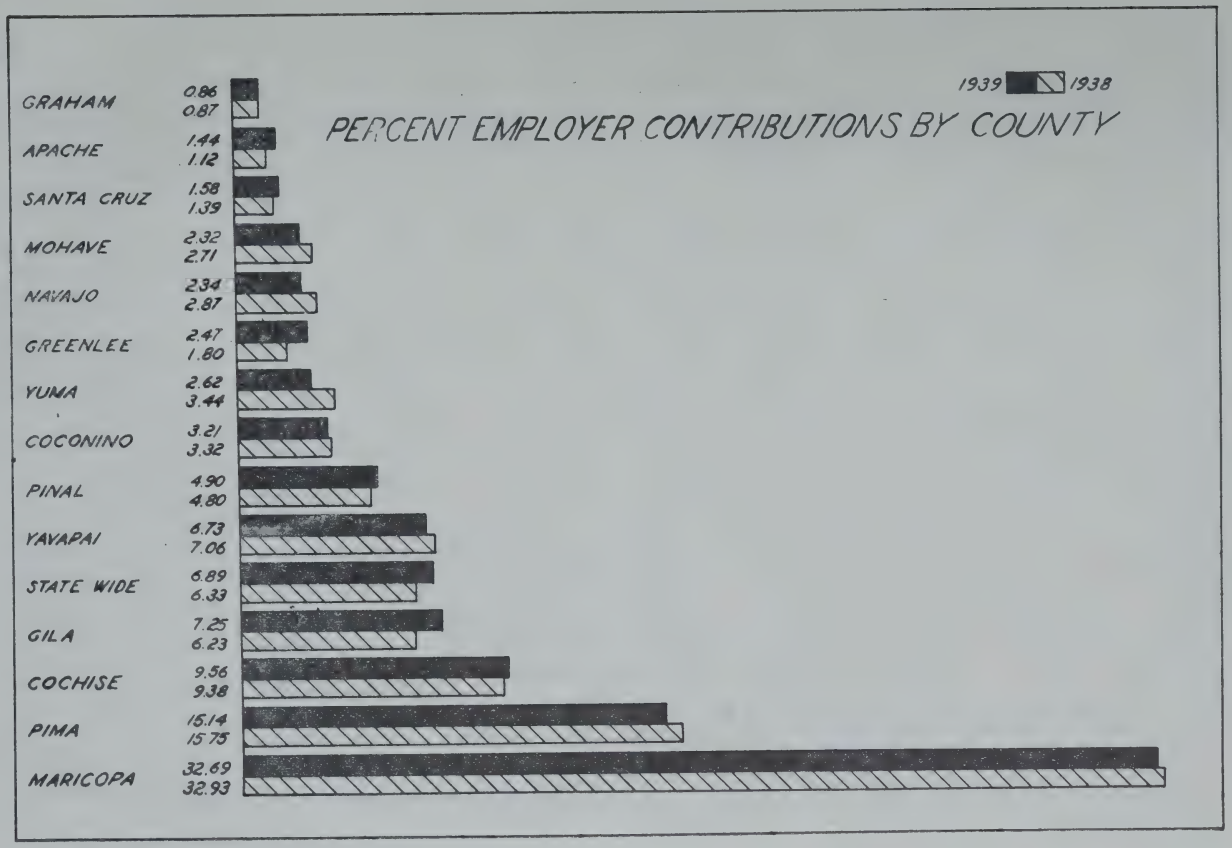

1939
1938
PERCENT EMPLOYER CONTRIBUTIONS BY COUNTY
GRAHAM 0.86 0.87
APACHE 1.44 1.12
SANTA CRUZ 1.58 1.39
MOHAVE 2.32 2.71
NAVAJO 2.34 2.87
GREENLEE 2.47 1.80
YUMA 2.62 3.44
COCONINO 3.21 3.32
PINAL 4.90 4.80
YAVAPAI 6.73 7.06
STATE WIDE 6.89 6.33
GILA 7.25 6.23
COCHISE 9.56 9.38
PIMA 15.14 15.75
MARICOPA 32.69 32.93

Table 13.—Wage Payments by Industry: First Nine Months, 1939*

Industry	January	February	March	April	May	June	July	August	September
Agriculture£	$ 3,633.79	$ .00	$ .00	$ .00	$ .00	$ .00	$ .00	$ .00	$ .00
Mining	1,426,472.97	1,355,923.71	1,389,754.13	1,355,967.35	1,372,996.46	1,368,075.74	1,574,724.58	1,393,383.10	1,479,108.34
Construction	424,134.72	371,156.67	410,446.17	359,485.85	364,074.35	411,084.57	392,576.15	409,707.75	414,378.21
Manufacturing	727,237.45	695,150.11	739,412.34	742,182.86	757,870.56	758,052.13	820,600.78	746,789.74	796,085.65
Transportation	977,631.50	895,191.09	1,024,046.32	983,425.47	1,034,812.18	1,124,045.26	161,141.31†	163,119.68	164,995.35
Communication	98,657.62	97,128,13	101,041.12	113,206.49	102,585.10	103,215.87	117,332.70	104,470.87	115,830.09
Utilities	186,040.40	188,669.16	190,802.80	185,601.56	192,407.00	195,726.08	212,215.71	208,597.88	208,380.34
Trade—W & R	1,512,923.16	1,469,545.10	1,606,268.42	1,640,115.01	1,560,694.72	1,594,203.70	1,620,709.42	1,528,156.98	1,596,164.59
Finance	51,248.90	50,027.93	47,668.23	47,784.23	47,929.37	46,468.13	46,197.85	47,098.27	46,771.18
Insurance	52,282.02	53,382.18	51,541.40	51,279.50	51,674.06	51,698.83	54,596.28	53,099.39	53,029.19
Real Estate	41,424.43	39,189.34	40,918.26	39,993.56	42,922.80	48,980.86	43,852.21	46,789.88	43,794.65
Administration	43,268.58	37,170.19	38,980.08	36,175.04	35,590.42	35,987.20	40,262.09	37,349.45	38,902.92
Service, Personal	694,764.80	697,834.69	744,835.53	668,647.87	630,583.85	659,691.49	677,491.66	687,972.07	721,335.75
Professional Service	74,444.82	78,899.88	80,407.06	70,243.32	68,689.77	60,539.46	62,864.58	60,127.31	69,779.46
Miscellaneous	16,390.69	16,437.38	17,263.28	21,647.97	25,158.74	24,652.90	30,597.67	31,357.51	29,608.93
Total	$6,330,555.85	$6,045,705.56	$6,483,385.14	$6,315,756.08	$6,287,989.38	$6,482,422.22	$5,855,162.99†	$5,518,019.88	$5,778,164.65

* Source: Employers' Contribution Reports. Compiled on the 15th of the month following due date. Reports for October, November, and December not due from employers until end of January.

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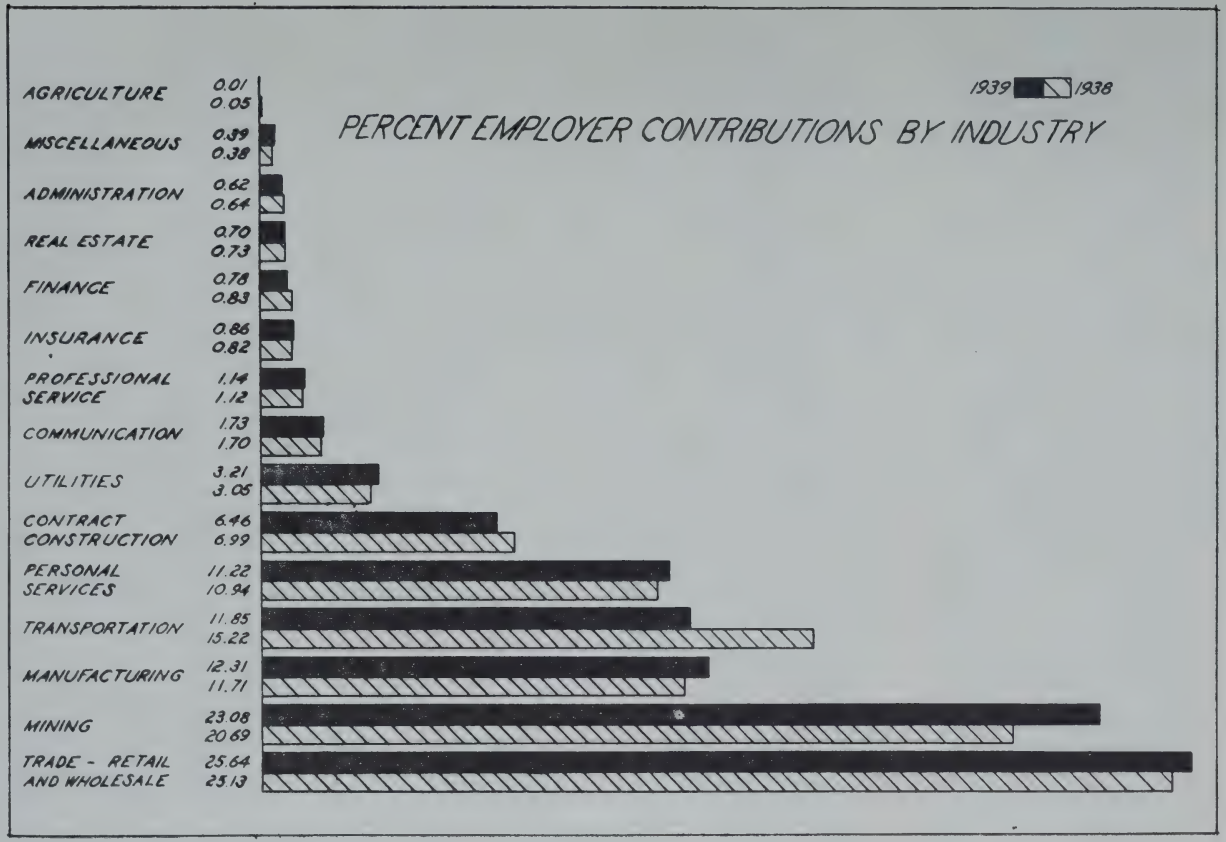
PERCENT EMPLOYER CONTRIBUTIONS BY INDUSTRY
1939
1938
AGRICULTURE 0.01 0.05
MISCELLANEOUS 0.39 0.38
ADMINISTRATION 0.62 0.64
REAL ESTATE 0.70 0.73
FINANCE 0.78 0.83
INSURANCE 0.86 0.82
PROFESSIONAL SERVICE 1.14 1.12
COMMUNICATION 1.73 1.70
UTILITIES 3.21 3.05
CONTRACT CONSTRUCTION 6.46 6.99
PERSONAL SERVICES 11.22 10.94
TRANSPORTATION 11.85 15.22
MANUFACTURING 12.31 11.71
MINING 23.08 20.69
TRADE - RETAIL AND WHOLESALE 25.64 25.13

LEGAL COUNSEL

The Commission was without the services of an attorney from August 1, 1939, when the resignation of George D. Locke became effective, to September 4, when Arthur M. Davis was appointed to fill the vacancy. On the latter date approximately 200 cases requiring legal action for collection of delinquent contributions were on hand. During the period from September 13 to September 30, original and amended complaints were filed in 140 cases involving delinquent contributions aggregating more than $30,000. During the month of September there was received by the Commission from cases in the Legal Department $2,803.40 in contributions; during October the amount so collected increased to $7,568.75; in November the sum of $1,234.99 was received; and in December, $1,002.75.

Responsibilities

The Legal Counsel conducts all legal work for both the Employment Service and Unemployment Compensation Divisions, and is counsel for the Commission. The Attorney is responsible for representing the agency before hearings or investigations in all cases arising under the Law and in any civil action to enforce the Law. In many instances, liability cases are also determined by the Legal Department, particularly those involving the question of whether or not a business is organized exclusively for one of the purposes exempt from liability under the Law.

Section 6, subsections c, d, e, and f of the Law provide for an appeals procedure. It is significant that since the inauguration of benefit payments, only 17 appeals have been heard. The Attorney for the agency does not represent the agency in appealed cases, but acts in an advisory capacity to a responsible person in the agency who has been designated to handle appeal matters. It is his duty, however, to represent the Commission should the appeal be carried to the courts.

Fraudulent Claims

All cases involving claimants who have drawn benefits contrary to the Law are referred to the Legal Counsel after a preliminary determination of facts by the Benefit Section of the Commission. In those cases where there has been a mistake an attempt is made to adjust and sift them from the ones in which it is apparent that the claimant willfully and maliciously endeavored to evade the Law, which latter cases are referred to the Attorney General for prosecution, as provided by law.

Hearings

In order to determine intelligently the manner in which certain sections of the Law should be applied to groups or industries, public hearings are held at which the persons affected may express their views and discuss their problems before the Commission acts. Whenever possible a transcript of the testimony is made available to those attending to aid them in formulating further suggestions for the benefit of the Commission.

Decisions

On November 6, 1939, the Supreme Court of the State of Arizona handed down a decision in a case brought by several former employees involving a construction of the rules and regulations applicable to examinations given under the Merit System for selection of personnel under the Commission. This litigation was handled by George D. Locke, former Attorney for the Commission, and the opinion of the Court will be most helpful in defining the rights and duties of the Commission, the Advisory Committee on Personnel, and of applicants for positions with the Commission in the future.

APPEALS TRIBUNAL

Appealed benefit cases are heard before an impartial tribunal made up of one employer representative, one employee representative, and a chairman appointed by the Commission. During 1939 the Chief Accountant served as chairman of the tribunal, and other representatives were chosen from panels compiled by the agency. Hearings are conducted informally, and the interested parties need not be represented by legal counsel. Disputed decisions may be taken before the Commission for review, and eventually into the state courts.

A total of 11 cases were decided during 1939, of which number the original decision of the Commission deputy was affirmed in seven instances, and reversed in four.

INFORMATIONAL SERVICE

Duties

The Informational Service is responsible for collection, maintenance, and dissemination of research and other data in possession of the agency. Such materials originated within the organization and received from numerous outside sources have been found to contain a mass of information extremely valuable in contributing to improvement of procedures and techniques. Upon assignment by the Executive Director pertinent facts from this library of source material are put before the administrative heads of the agency, the public, and interested groups.

Personnel and Supervision

The Informational Service is in charge of the Informational Representative, with direct responsibility to the Executive Director. Frequent special assignments are made by the Executive Director, including development of surveys on particular phases of procedure, preparation of annual and other reports, filling of requests for information, investigation of misunderstandings arising in connection with benefit payments, and preparation of research studies.

Shifting of Emphasis

Emphasis has been shifted during the year from production of newspaper releases to the greater utilization of information valuable within the organization. To this end, a card index and publications inventory have been completed as an aid in using the data collected. It is anticipated that the usefulness of such information on specialized problems of employment and unemployment will become more important year by year to state authorities, writers, and students. Statistics and research studies concerning Arizona and other states are made available at any time to responsible individuals.

Periodic summaries of important developments in the field of unemployment compensation have been prepared by the Informational Service during the latter half of 1939. It is planned that these summaries will be distributed more widely to interested persons during the coming year.

STATISTICAL UNIT

Work of the Statistical Unit is illustrated in this report by charts and tables which show the type of records maintained. Operations during 1939 brought no significant changes in procedure, since the value of statistical records depends in great measure on the consistency with which comparable bases for the records are maintained.

The unit is responsible for the analysis and interpretation of data obtained from all sections of the agency. Finished reports are furnished to the State agency and the Bureau of Employment Security of the Social Security Board. Information is obtained as a by-product of operating records from each unit. These data are used to develop and maintain on a current basis statistical studies showing trends of internal operations. They also reflect labor and industrial characteristics as a result of periodic reports covering wage payments, employment and unemployment. All information regarding employment, unemployment, placements and benefit payments is classified by industry and area. Industrial trends are reflected by index numbers for the State, classified by county.

Other duties of this division include planning, outlining, preparing forms and assisting other officials of the agency in developing procedures.

Personnel of the statistical unit consists of a statistician in charge assisted by one statistical clerk. Much of the material for this division is processed by the machine unit of the agency.

Charts and tables on operations of the Unemployment Compensation Division represent some of the activities of the Statistical Unit. The tables on wage payments and coverage are shown by major industrial groups. This information is maintained by the Statistical Unit in detail showing eighty separate industrial classifications. For the purpose of summarizing this information, we have shown only the major groups.

Contribution reports for the last quarter of 1939 are not due and received in time to be included in this report. Percentage comparisons regarding wages, employees and contributions shown in charts are based on three quarters of 1939.

The complete year's activity is shown for benefit statistics. This information is maintained on a current monthly basis.

INDEX

A

Accounting Section, 44-47
  control of expenditures, 44-45
Administration (see Statistics, industrial)
Administration fund, 17-18, 24-26
  budget procedure, 44
  comparison of budgets, 1938-39, 17
  expenditures, 1939, 18
  federal authority over, 12
  installments, 44
  stoppage of grants, 10
  travel costs, 49-50
Advisory Committee on Merit System (see Merit System)
Advisory councils, 15
Agriculture (see Statistics, industrial)
Apache County (see Statistics, county)
Appeal Tribunal:
  advice of legal counsel, 58
  cases decided, 59
Appointments, 16
Arizona State Employment Service:
  administrative organization, 14
  Advisory Council, 15
  creation of, 27
  farm labor, 27
  junior counseling, 27, 29
  local offices reorganized, 16
  placements made, 27
  responsibilities, 27
Arizona Unemployment Compensation Commission:
  administrative organization, 14
  advisory councils, 15
  costs of operation, 13, 17-18
  duties and powers, 14
  early development of program, 8
  hearings, 58
  members of, 14
  number of employees, 23
  reorganization, 13, 16-17, 37
  rules and regulations, 1939, 15
  terms and remuneration, 15
Arizona Unemployment Compensation Law:
  amendments proposed, 10, 12
  conformity with Federal Act, 12
  passage, 8

B

Beet Seed Industry, 16
Benefits, comparison, 1938-39, 7
  groundwork for payment of, 8
  partial, 34
  seasonal, 34
  statistics, 9, 33, 35, 36, 38-43, 46
Benefit Section, 33-37
  claims, 1939, 33
  comparison, 1938-39, 33
  reorganization, 37
Budget (see Administration fund)

C

Claims, 1938, 8
  1939, 33
  statistical reports on, 26, 31, 33, 36
  (see also Benefit Section)
Cochise County (see Statistics, county)
Coconino County (see Statistics, county)
Communication (see Statistics, industrial)
Construction (see Statistics, industrial)
Contributions, 1939, 7
  collection of, 1937, 8
  delinquent, 49, 58
  maintenance and distribution, 47
  rates, 8
  statistical reports on, 9, 46, 48, 55, 57
  supplemental, 48, 49
Costs of operation (see Administration fund and Arizona Unemployment Compensation Commission)
County statistics (see Statistics, county)
Coverage, 1937, 8
  1938-39, 46
  statistical reports on, 48, 50, 51, 52, 53

D

Deficiency appropriation, 10-11
Delinquent contributions, 49

E

Employment, 7, 27, 33
Equipment, 45
Expenditures, 18
  method of clearing, 44-45

F

Federal grants (see Administration fund)
Federal Security Agency, 13
Federal-state relationships, 10, 13

Field Section, 48-50
Finance (see Statistics, industrial)
Financial statements, 24-26
Fraudulent claims, detection, 34
  procedure, 16
Fund (see Unemployment Compensation fund)

G

Gila County (see Statistics, county)
Graham County (see Statistics, county)
Greenlee County (see Statistics, county)

I

I. B. M. machines, 33, 37
Industrial statistics (see Statistics, industrial)
Informational Service, 59
Insurance (see Statistics, industrial)

L

Law (see Arizona Unemployment Compensation Law)
Legal Counsel, 58
Lumbering Industry, 15-16

M

Manufacturing (see Statistics, industrial)
Maricopa County (see Statistics, county)
Merit Rating for employers, 13, 45
Merit System, 19-23
  committee personnel, 15
  Supreme Court decision, 19, 58
Mining (see Statistics, industrial)
Mohave County (see Statistics, county)
Multi-state claims, 34

N

Navajo County (see Statistics, county)

P

Partial benefits, (see Benefits)
Personnel, 19, 20-23
  (see also Merit System)
Pima County (see Statistics, county)
Pinal County (see Statistics, county)
Placements, 7, 11, 27, 30
Professional Service (see Statistics, industrial)

R

Railroad coverage, 10, 34
Real Estate (see Statistics, industrial)

S

Santa Cruz County (see Statistics, county)
Seasonality, 15-16, 34
Service, personal (see Statistics, industrial)
Service ratings, 20-23
Spheres of responsibility, federal and state, 12
Social Security Act:
  amendments, 10, 12
  provisions for unemployment compensation, 8
Statistics:
  benefits, 9, 33, 35, 36, 38-43, 46
  claims, 26, 31, 33, 36
  contributions, 9, 46, 48, 55, 57
  county, 26, 30, 32, 38, 40-41, 50, 51, 54, 55
  coverage, 48, 50, 51, 52, 53
  industrial, 39, 42-43, 52, 53, 56, 57
  placements, 11, 30
wage payments, 54, 56
Statistical Unit, 60

T

Trade—Wholesale and Retail (see Statistics, industrial)
Transfer of funds (see Railroad coverage)
Transportation (see Statistics, industrial)
Travel costs, 49-50

U

Unemployment, solution of, 7
Unemployment Compensation:
  early development in Arizona, 8
  purpose, 7
Unemployment Compensation Division, 14
Unemployment Compensation fund, 9, 24, 46
  establishment and collection, 8
  increase during 1939, 7
  maintenance of, 45, 47
  source, 45
  stability of, 7
Utilities (see Statistics, industrial)

W

Wage payments (see Statistics, wage payments)

Y

Yavapai County (see Statistics, county)
Yuma County (see Statistics, county)

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JOSEPH P. CONDREY - - *Member*

ARIZONA UNEMPLOYMENT COMPENSATION COMMISSION
ELLIS BUILDING
P. O. Box 111
PHOENIX, ARIZONA

January 6, 1941

THE HONORABLE SIDNEY P. OSBORN
GOVERNOR OF ARIZONA
PHOENIX, ARIZONA

Dear Governor Osborn:

We have the honor to submit the Annual Report of the Arizona Unemployment Compensation Commission for the calendar year 1940, the third full year in which unemployment compensation benefits have been paid in the State.

It is our belief that sufficient experience in the administration of unemployment compensation has now been gained to allow a fair evaluation of the Unemployment Compensation Law to be made. On the basis of experience in administering this law and upon serious deliberation we have agreed upon certain recommendations for your consideration.

It is the sincere hope of the Commission that matters set forth in this report will meet with your approval, and that the unemployment compensation agency of this State has been so administered as to be a credit to Arizona.

Respectfully submitted,

ARIZONA UNEMPLOYMENT
COMPENSATION COMMISSION

W. ROY WAYLAND, *Chairman*

I. A. MCCABE, *Vice-Chairman*

JOSEPH P. CONDREY, *Member*

TABLE OF CONTENTS

PAGE

1. Letter of Transmittal 3
2. Introduction and Summary 7
3. Administration 17
   - Policy-Making Actions 17
   - Costs of Administration 20
   - Recommendations with Respect to the Administrative Body 21
4. Fiscal Record 23
5. Merit System 25
6. Employment Service 27
7. Benefits 31
   - Record for the Year 31
   - Recommendations for Amendments 33
8. Contributions 47
   - Experience Rating Record and Recommendations 47
   - Tax Basis 56
   - Employer Coverage 58
9. Professional Services 60
   - Legal 60
   - Training and Information 60
   - Statistics 61
10. Statistical Appendix 65

CHARTS

Chart 1.—Employment Service: Total "Standard" Placements (not Including Supplementary Placements); Men, Women, and Veterans, by Months, 1940 9

Chart 2.—Benefits: Amount by Months, 1938-40 12

Chart 3.—Benefit Fund: Contributions to Fund (Plus Interest); Payments from Fund; Balance Available for Benefits; by Quarters, 1937-40 14

Chart 4.—Employment Service: Total Placements, Active File, New Applications, and Private Placements; by Months, 1940 26

Chart 5.—Employment Service: Distribution of Placements; Occupational, Industrial, and Age; Percentages of Total, 1940 28

Chart 6.—Claims for Benefits: Initial and Continued Claims, with Total; by Local Offices and by Months, 1940 30

Chart 7.—Benefit Payments: Amount by Counties, 1939-40 32

Chart 8.—Benefit Payments: Amount Paid, by Industries, 1939-40 34

Chart 9.—Wage Payments: Amounts Paid, by Industries; Shown in Millions of Dollars, 1939-40 46

Chart 10.—Wage Payments: Amounts Paid, by Counties; Shown in Millions of Dollars, 1939-40 55

Chart 11.—Covered Employees: Percentages, by Industries, 1940 57

Chart 12.—Covered Employees: Percentages, by Counties, 1940 59

TABLES

PAGE

Table 1.—Approved Budgets: Amounts Approved for Operation of the Unemployment Compensation Commission. Totaled by 6-Month Periods Since January 1, 1938 21

Table 2.—Financial Statement: Balance Sheet for Benefit Trust Fund and Administration Fund; as of December 31, 1940 .. 23

Table 3.—Employment Service: Total Placements Including All Standard (but Not Supplementary) Placements; by Local Offices and by Months, 1940 67

Table 4.—Employment Service: Placements in Private Industry; by Local Offices and by Months, 1940 68

Table 5.—Employment Service: Supplementary Placements; by Local Offices and by Months, 1940 69

Table 6.—Employment Service: Occupational Distribution of Placements; by Months, 1940 70

Table 7.—Employment Service: Age Distribution of Persons Placed; by Months, 1940 71

Table 8.—Employment Service: Industrial Distribution of Persons Placed; by Months, 1940 72

Table 9.—Employment Service: Active File of Applications for Employment; by Local Offices and by Months, 1940 73

Table 10.—Employment Service: New Applications for Employment; by Local Offices and by Months, 1940 73

Table 11.—Employment Service: Initial Claims for Benefits; Number Accepted by Local Offices, by Months, 1940 74

Table 12.—Employment Service: Continued Claims for Benefits; Number Accepted by Local Offices, by Months, 1940 74

Table 13.—Central Office Benefit Activities: Analysis of Claims Received, Allowed and Disallowed; Accounts Opened and Closed; Checks Issued, Amount and Average; by Months, 1940 75

Table 14.—Benefit Payments: Amount by Counties and by Months, 1940 76

Table 15.—Benefit Payments: Amount by Industries and by Months, 1940 78

Table 16.—Coverage: Number of Employees in Covered Employment; by Industries and by Months; 12 Months Ending September, 1940[1] 80

Table 17.—Coverage: Number of Employees in Covered Employment; by Counties and by Months; 12 Months Ending September, 1940 81

Table 18.—Wage Payments: Wages Reported by Covered Employers; by Industries and by Quarters; 4 Calendar Quarters Ending September, 1940 82

Table 19.—Wage Payments: Wages Reported by Covered Employers; by Counties and by Quarters; 4 Calendar Quarters Ending September, 1940 83

Table 20.—Experience Rating: Analysis of Possible Employer Experience Ratings 84

[1]The Commission is required by law to print its annual report for each calendar year for submittal to the Governor on or before February 1 of the succeeding year. Since employer reports for the 4th calendar quarter are not delinquent until that date, they cannot be included in these statistics.

INTRODUCTION AND SUMMARY

The principal objective of unemployment compensation is employment. In the third year of benefit payments Arizona's program for increased, more stable employment approached its full development. In 1941, the fourth year of benefits, variable tax rates for employers will go into effect under the experience rating provisions of the law. Those parts of the program already in operation emphasize the importance of employment over benefit payments. Experience rating, when it becomes effective in 1941, is expected to increase that emphasis by setting up special inducements to help bring about employment stabilization.

During 1940 two administrative developments within the organization were of outstanding importance: one, preparations for the beginning of employers' experience rating; and two, revisions of general organization and personnel administration.

THE EMPLOYMENT SERVICE AND NATIONAL DEFENSE

At the same time, an event outside the agency, the development of the national defense program, gave promise of having tremendous effect on the future course of employment security. The State Employment Service already plays an important role in the industrial mobilization which accompanies defense preparations. Continued cooperation to help fill national defense labor needs will be an important feature of the service in 1941, and will provide a severe test of facilities developed over a 7-year span. Responsibility placed upon the Employment Service by rapid industrial acceleration likewise provides an opportunity to demonstrate effectiveness of the organization.

The need for skilled workers has already become apparent. No severe shortage has developed thus far, but as more and more workers are required it will be necessary to feed them into defense industries without severe industrial dislocation. When a mechanic, for example, leaves his regular job to take employment in an airplane factory, it will be necessary to fill the job which has been left vacant. Otherwise peacetime industry may break down as munitions works and other defense industries get under way. In every State across the continent the employment service has machinery in operation for orderly management of this problem, and the Arizona State Employment Service has taken its place with the others.

A well-developed clearance system has been in operation for some time and aids materially to balance labor supply and demand. In all cases local workers for local jobs are preferred, but when the men are not available locally the clearance procedure makes it possible to find them elsewhere. The Employment Service supplies the United States Civil Service Commission with names of applicants as a means of further cooperation for national defense. Special occupational studies have also been made

by the service to determine the exact status of the State labor supply. Statistics developed from these occupational studies are made available to appropriate governmental agencies and have been found particularly helpful by local Selective Service Boards in determining which jobs should be termed "essential".

EXPERIENCE RATING—LAST STEP IN DEVELOPMENT OF PROGRAM

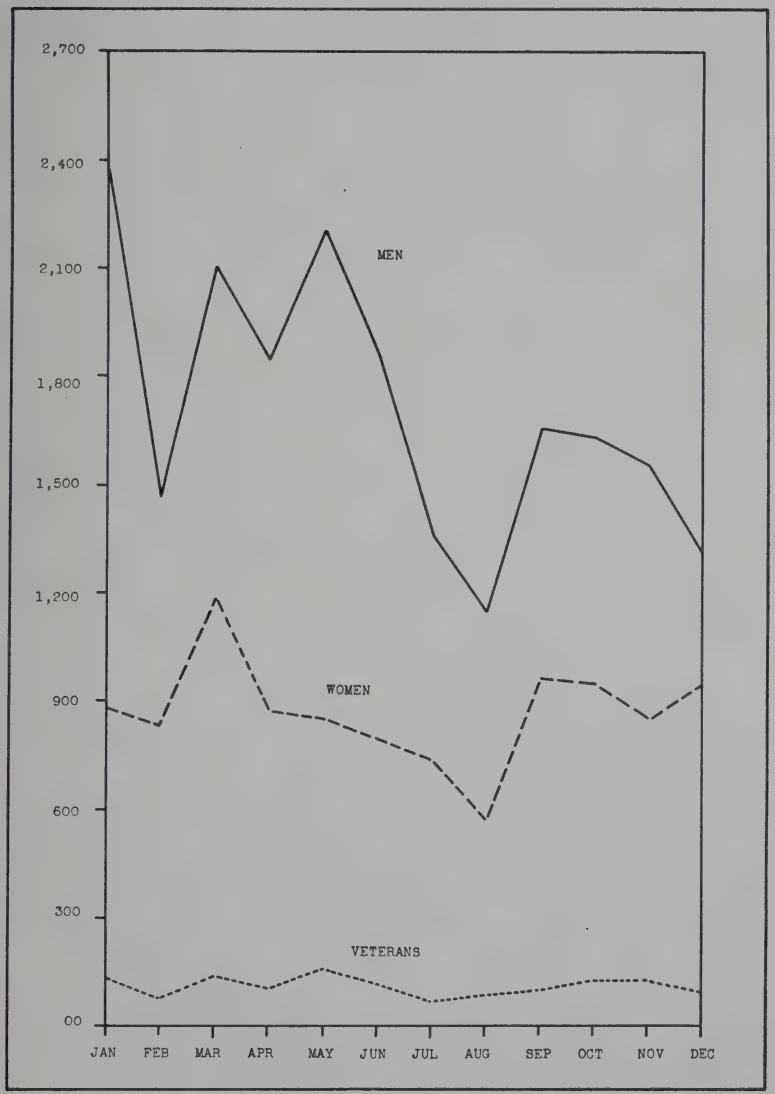
The first step in the development of an employment security program for Arizona was the creation of a State-wide employment service. The second step was inauguration of unemployment compensation or job insurance. Contributions were collected from employers for the years 1936 and 1937 to build up a benefit fund from which benefits might later be paid. In 1938 benefits became payable to unemployed persons who had worked in employment covered by the law and who met legal eligibility requirements. After three years of benefit payments, the final step in development of unemployment compensation is about to be taken: experience rating for employers is scheduled to go into effect in 1941.

Experience rating is a method of granting variable tax rates for unemployment compensation. It is designed to give lower rates to employers who have a small labor turn-over—that is, those who discharge few employees. On the other hand it provides higher contribution rates for employers with a large employment turn-over. Since unemployment compensation is considered a form of insurance, this method of assigning higher or lower rates corresponds to insurance premiums based on the amount of risk.

In 1936 the Legislature included a declaration of State public policy in its enactment of the Unemployment Compensation Law, and in this declaration, and in other provisions of the law, placed upon the Commission a responsibility not confined to the collection of contributions and the payment of benefits. This responsibility was to encourage more stable employment. The Commission is aware that some nationally known employers have perfected employment stabilization programs within their organizations which have been beneficial both to the employees and the employers. On a smaller scale, and with less publicity, there are in Arizona some employers who have had considerable success in a greater regularization of employment.

The Legislature provided for a system of experience rating in the Arizona law, contemplating reduced contribution rates to the employer who assumes the responsibility of stabilizing his employment. In this respect, the advantage to an employer of administrative savings through a reduced contribution rate is corollary to the welfare of the employee in having steady employment, without benefits, as against intermittent or no employment with the limited income of benefit payments. Thus, accomplishments in employment stabilization are advantageous to employees and

CHART 1.—EMPLOYMENT SERVICE: TOTAL "STANDARD" PLACEMENTS (NOT INCLUDING SUPPLEMENTARY PLACEMENTS); MEN, WOMEN, AND VETERANS, BY MONTHS, 1940[1].



[1]See Tables, pages 67-72

employers alike. In terms of the unemployment compensation program, employees working for a firm having stable employment present a much smaller drain upon the benefit fund than employees in another firm where lay-offs are frequent.

Variable contribution rates are determined on the basis of individual employer accounts. The extent to which an employer has stabilized his employment is measured by the amount of benefits drawn by his former employees.

It is possible for an employer's rate to drop as low as 1 percent of his payroll; a rate as high as 3.6 percent must be assessed in other cases. Under experience rating as now constituted, however, the reserve in an employer's account will build up comparatively slowly and the present provisions of the Arizona law will permit reduced rates for 1941 in rare cases only. In view of this fact, the Commission has recommended in this Annual Report that possible amendments of the present plan be considered. Policy-making actions taken by the Commission with regard to experience rating in 1940 are set forth on page 17 of this report; the administration of experience rating during the year with appropriate recommendations for amendment will be found in the section beginning on page 47.

PLACEMENTS AND BENEFITS

Including all categories of jobs filled, the Arizona State Employment Service made a total of 77,392 placements during 1940, an increase of 26 percent over the total of 61,009 for 1939. The figure given for 1940 includes 4,257 public, 26,694 private, and 46,441 supplemental placements. A detailed account of placement activities will be found on page 27.

Since the beginning of benefit payments, approximately 90,000 workers have accumulated wage credits toward unemployment compensation benefits in Arizona. These employees worked for 4,000 employers covered by the State benefit insurance law, and their potential benefits were backed by a $3,112,235.96 trust fund as of December 31, 1940.

Benefit checks issued to 16,346 eligible claimants during the year totaled $1,321,417.21 without correction for a small number of checks later canceled for various reasons. Studies made by the Social Security Board indicate that Arizona was first among the States and second only to Hawaii among both States and Territories in promptness of mailing benefit checks to claimants found eligible.

ORGANIZATION AND PERSONNEL

As directed in the 1936 law, the Commission established two divisions of operation. Following the Federal Reorganization Act of 1939, by means of which the United States Employment Service and Federal Social Security Board functions were put under the direction of the Federal Security Agency, the Social Security Board established requirements of certain uni-

fications in State agencies. These unifications in the Arizona agency were placed in effect early in 1940, and in accordance therewith the Commission on April 9 directed that, effective April 15, all administrative funds of the agency were to be placed in a consolidated account.

Under amendments added to the United States Social Security Act in 1939 the Social Security Board was empowered to specify minimum standards for personnel administration in State employment security agencies. In accordance with these requirements and to insure continuance of administrative funds, the Commission revised its merit system rules and regulations to conform with suggestions of the Board. Applications were opened during November in order to create registers of eligibles under the new merit system plan.

A detailed account of these personnel and organizational actions will be found on pages 18 and 19.

FEDERAL-STATE RELATIONSHIPS

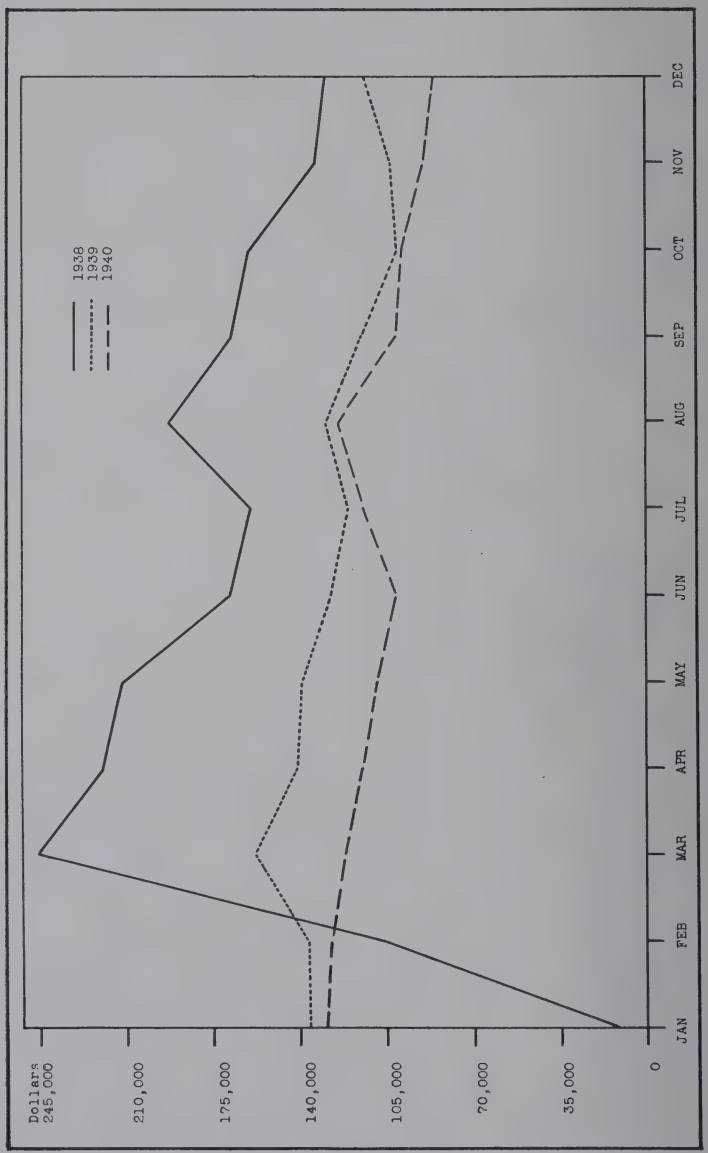
The Federal Social Security Act imposes upon representatives of the Social Security Board certain responsibilities with regard to approval of State unemployment compensation laws, and these responsibilities entail questions of State administration which are also affected by provisions of State legislation. Because of variations in the wording of the Federal and State laws, many honest differences of opinion arise between State and United States representatives, and in some instances a situation arises in which neither the Federal nor the State representatives seemingly can carry out their full legal responsibilities. It is the belief of the Commission that studies of the relationship between Federal and State legislation should be carried out with the purpose in mind of eliminating points of conflict.

POSSIBLE AMENDMENTS

Amendments of the Federal Social Security Act have made several changes in the basis of unemployment compensation tax collections, and it is anticipated that the Legislature will consider bringing the State law into conformity as an aid to employers and to effectiveness of administration. Of outstanding importance are (1) the shift from a basis of wages "payable" to wages "paid" and (2) the limitation of unemployment compensation taxes to the first $3,000 in wages paid to an employee by an individual employer. Since these changes have not been matched by similar shifts in the Arizona statute, considerable confusion has arisen concerning the two taxes.

In order to lay the groundwork for whatever action might be desired by the Legislature with regard to the $3,000 limitation, the Commission July 18 adopted a regulation to postpone collection of 1940 contributions above this limitation until April 30, 1941. Thus contributions on wages above $3,000 will not become due until after the usual period of the legislative session.

CHART 2.—BENEFITS: AMOUNT BY MONTHS, 1938-40[1].



[1]See Table 13, page 75

RECOMMENDATIONS

Section 11 of the Arizona Unemployment Compensation Law, reading in part as follows, requires the Commission to submit to the Governor its recommendations for amendments to the act:

> Not later than the first day of February of each year, the commission shall submit to the Governor a report covering the administration and operation of this Act during the preceding calendar year and shall make such recommendations for amendments to this Act as the commission deems proper.

Aware of this responsibility and at the same time realizing that lawmaking is a prerogative of the State Legislature in working interrelationship with the Governor, this Commission is of the opinion that such recommendations should (1) state the problem; (2) suggest possible solutions; and (3) leave exact provisions and phraseology to the initiative of elected representatives of the people.

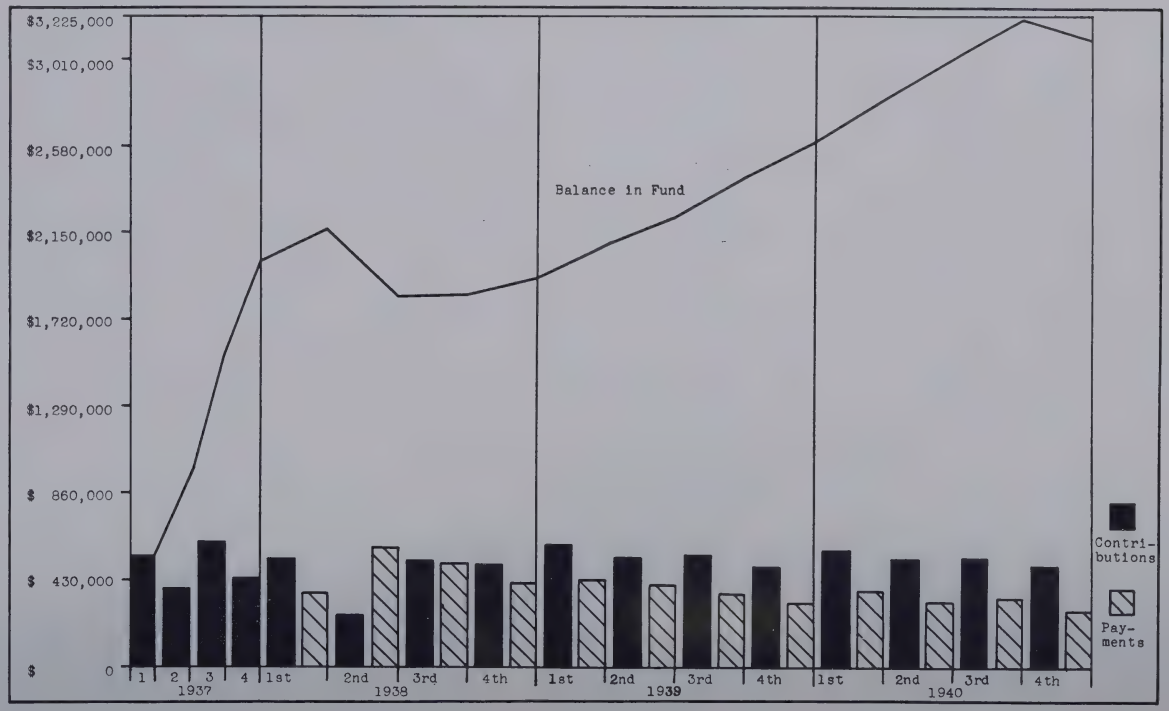
GENERAL CONSIDERATIONS—PURPOSE OF THE LAW

In accordance with principles established by the Arizona Unemployment Compensation Law of 1936 it is an error to consider unemployment compensation as a kind of charity. It is more correctly considered a method of keeping the conscientious worker from having to resort to relief or charity during lay-off periods. It is thus a method of attack on the problem of involuntary unemployment. This viewpoint is emphasized by the fact that the fullest benefit is restricted to the worker who has had fairly steady work in the past—the man who is not usually unemployed. Furthermore, benefit recipients must register for employment with the State Employment Service and must be available for work. Penalties were established for those who refuse suitable work, who leave their jobs without just cause, or who are discharged for misconduct. To aid the particular type of worker for whom it was intended, therefore, unemployment compensation was set up as a type of insurance—benefits are paid as a right, and no need test is involved.

In addition to building a system of aiding workers, unemployment compensation was intended as a stabilizing force for business. It is significant that a pay-as-you-go plan, which would have made its heaviest drain in times of depression, was not set up. Instead, a continuing benefit fund was established in such a way that it expands during good times and pours purchasing power into the channels of trade when business is poor. The unemployment reserve account, consisting of funds accumulated during periods of normal employment to be paid out in benefits when employment generally is subnormal, is literally a "benefit reserve". As an additional incentive to regularization of business, the experience rating plan tends to reward the employer who stabilizes employment.

Section 2 of the Arizona Unemployment Compensation Law serves as an excellent summary of these purposes:

CHART 3.—BENEFIT FUND: CONTRIBUTIONS TO FUND (PLUS INTEREST); PAYMENTS FROM FUND; BALANCE AVAILABLE FOR BENEFITS; BY QUARTERS, 1937-40.



NOTE: Balance declined in 4th quarter, 1940, because of required transfer of portion of reserve to Railroad Unemployment Insurance Account. See page 20.

Section 2. DECLARATION OF STATE PUBLIC POLICY. As a guide to the interpretation and application of this Act, the public policy of this state is declared to be as follows: Economic insecurity due to unemployment is a serious menace to the health, morals, and welfare of the people of this state. Involuntary unemployment is therefore a subject of general interest and concern which requires appropriate action by the legislature to prevent its spread and to lighten its burden which now so often falls with crushing force upon the unemployed worker and his family. The achievement of social security requires protection against this greatest hazard of economic life. This can be provided by encouraging employers to provide more stable employment and by the systematic accumulation of funds during periods of employment to provide benefits for periods of unemployment, thus maintaining purchasing power and limiting the serious social consequences of poor relief assistance. The legislature, therefore, declares that in its considered judgment the public good, and the general welfare of the citizens of this state require the enactment of this measure, under the police powers of the state, for the compulsory setting aside of unemployment reserves to be used for the benefit of persons unemployed through no fault of their own.

RELATIONSHIP WITH LEGISLATION OF OTHER STATES AND OF THE UNITED STATES

Employment, and therefore unemployment, is not limited or partitioned by State lines. The law of one State would be of little effect economically except for the concurrent operations of similar laws in adjoining or other States. It is noteworthy therefore, that provisions of other State laws should be taken into account in considering amendment of the Arizona statute.

Further, the ramifications of the Arizona law and of the administrative functions emanating from it are not fully understandable except by similar consideration of various Federal laws. The relationship of State unemployment compensation laws to Federal legislation is such that in the absence of a State law meeting Federal standards employers of eight or more in the State will be required to pay a 3 percent tax on their payrolls to the Federal Collector of Internal Revenue. If an approved State law is in operation, the major portion of this tax is collected by the State, and contributions paid to the State may be credited against the Federal tax up to a maximum of 90 percent of the Federal rate.

The Social Security Act places upon the Social Security Board the duty to examine for approval the provisions of each State law or amendments thereto. Unless such approval is forthcoming the Collector of Internal Revenue may not grant credit against the Federal assessment. Thus, the effect of a failure to approve the legislation of any State is that employers of eight or more in such States would be required during the period of non-approval to pay a tax equal to 3 percent of their payrolls, without deductions therefrom on account of contributions to State funds. This 3 percent tax would be paid to the Federal Government, and in addition the 2.7 percent rate in Arizona or the prevailing rate of the State unemployment compensation act would be levied by the State agency. This illustrates the extreme necessity of legislation meeting the approval of the Social Security Board.

METHOD OF PRESENTATION

A detailed record of this Commission's administration during 1940 will be found on the following pages of this report, together with a statistical record for the year and a financial statement. Recommendations for amendments, together with comparative information on the legislation of other States, are included with that portion of the administrative record which is pertinent to each section of the law. Thus, recommendations with regard to benefit payments begin on page 33, those on experience rating on page 47, and those having to do with the tax-base on page 56.

It is believed that with the completion of this third year of benefit payments, Arizona's employment security program has passed through its initial trial and after completion of carefully-considered legislative improvements will enter upon a period of continued usefulness to the State.

ADMINISTRATION

The Arizona Unemployment Compensation Commission held twelve formal meetings during the year, and consulted informally to consider problems arising between meetings as occasion required. Following is a record of major actions taken by the Commission during 1940.

POLICY-MAKING ACTIONS

ACTIONS ON EXPERIENCE RATING

On July 18, 1940, the Commission took action to complete the development of procedures for operation of experience rating, which had been submitted to the Social Security Board May 16 for such comments as the Board might make. Revised procedures based on these comments were thereafter completed and became operative August 13.

Believing that benefit charges to the next most recent employer of a benefit recipient, in addition to charges against the most recent employer, are not necessary to protect the pool account, the Commission went on record October 25, to the effect that it would charge only the most recent employer under Section 7 (c) of the law.

This section provides that benefits paid to an eligible individual shall be charged against the account of his most recent employer and that wages for employment by such most recent employer equal to more than 14 times his weekly benefit amount:

> . . . may also be charged against the account of his next most recent employer in the inverse chronological order in which the employment of such individual occurred . . .

The Commission was advised by its attorney that such language makes it mandatory to charge the most recent employer, but makes the charging of the next most recent employer permissive within the discretion of the Commission.

Statistical studies had established a definite trend of charges disclosing that the pooled fund and the next most recent employer, considered together, are charged with less than 25 percent of the total charges, while the pool has been credited with approximately 48 percent of all contributions paid to the end of 1939 and during 1940 received approximately 37 percent of current contributions.

A letter dated December 2, from the Social Security Board to the Commission, carried assurances of the Board that this action would not raise any question of conformity with the Federal Unemployment Tax Act.

ACTION IN REGARD TO $3,000 LIMITATION OF CONTRIBUTIONS

At its meeting July 18, the Commission adopted Regulation No. 29 "Definition of 'Due Date' of Contributions", to revise contribution requirements and postpone until April 30, 1941, the collection of contributions on

wages in excess of $3,000 payable to any one employee by each employer during 1940. Federal taxes for unemployment compensation were similarly limited by Congressional action in 1939, and the postponement of State contributions was adopted to lay the groundwork for whatever action might be desired by the State Legislature.

ACTION IN REGARD TO LABOR DISPUTES

During the period covered by this report, questions concerning the payment of benefits to employees of the Greyhound Bus Lines and of the Arizona Sand and Rock Company, who were involved in a labor dispute, came before the Commission for decision. Benefits were determined to be payable in both cases. The determinations were rendered on July 18 in the Arizona Sand and Rock Company case and on August 22 in the Greyhound Company case.

ACTION IN REGARD TO PERSONNEL ADMINISTRATION

The Social Security Act amendments of 1939 delegated to the Social Security Board authority to require and approve a merit system of personnel administration in State unemployment compensation agencies, administrative funds of such agencies to be granted contingent upon this approval. A merit system of personnel administration based on competitive examinations has been in effect in the entire Arizona agency since July, 1938, and in the Employment Service Division since November, 1937. The Commission on June 13 began a series of revisions to bring its merit system into conformity with the Federal standards. A revised merit system plan was initially adopted on June 13 on which date the Commission also set up a Merit System Council and appointed three members with terms to expire as follows:

E. W. Montgomery, June 30, 1941
E. Van Doorn, June 30, 1942
Cotton Murray, June 30, 1943

A series of amending actions was later taken to bring the new plan into complete conformity with suggestions and standards of the Board and to supplement the merit system plan with approved classification and compensation plans. At its meeting August 22 the Commission adopted a resolution converting personnel of the agency from the old compensation and classification plans to the new plans and expressed its attitude on the merit system to the effect that a supervisor should be appointed at an early date to give examinations and set up registers of eligibles to take the place of obsolete registers which had lapsed.

ACTION IN REGARD TO PURCHASING AND PROCUREMENT REGULATIONS AND TRAVEL REGULATIONS

On April 9 the Commission adopted regulations setting forth methods to be used by the Agency in controlling expenditures for travel and for all official purchases and procurements.

ACTION IN REGARD TO UNIFICATION OF THE COMMISSION'S TWO DIVISIONS

Prior to July, 1939, this Commission was obligated to handle fiscal and administrative questions of many types through two Federal agencies, the United States Employment Service in the Department of Labor, and the Bureau of Unemployment Compensation in the Social Security Board. On April 25, 1939, the President of the United States in a message to Congress announced his first Federal Reorganization Plan under which the two agencies were combined within the new Federal Security Agency. During the latter portion of 1939 and through into 1940 the Social Security Board, now a part of the Federal Security Agency, placed in effect minimum standards for State unemployment compensation administration upon which the granting of funds for such administration would be contingent. Such minimum standards required integrations between the two divisions of the Commission, the Unemployment Compensation Division and the Arizona State Employment Service. Accordingly, purchasing and procurement, informational and training, statistical, budgetary, and local office activities for both divisions were brought under one division or the other. Preliminary steps in this direction were taken during 1939.

The manner of handling funds, which come to the two divisions from several different sources, remained for decision during 1940. Effective April 15, all funds of the Commission were placed in a consolidated account.

Employment Service funds, including Wagner-Peyser grants allocated to the State by the Social Security Board, State funds to match the Wagner-Peyser grant, and funds received from any political subdivision of the State were directed to be placed in an Employment Service account within the unemployment compensation administration fund. The last-named fund is set up in accordance with Section 13 of the law.

Personnel costs of the Employment Service were directed paid from the administration fund in accordance with procedures required by the Social Security Board, this fund to be reimbursed at intervals by a claim, drawn against the Employment Service account, setting forth the expenditures in detail and signed by the executive director and the Employment Service director.

The provisions of the 1936 law were designed prior to the Federal reorganization. Subsequent to the unifications referred to, a difference of opinion arose concerning the relative authorities of the Commission and of the director of the Employment Service. By mutual agreement among those concerned, a friendly test action was filed to secure from the Court an interpretation which could be followed administratively.

ACTIONS IN REGARD TO SEASONALITY

Section 3 (l) of the Arizona Unemployment Compensation Law places upon the Commission responsibility for creation of general rules applying to the eligibility and benefit amounts of seasonal workers. In pursuance

of this responsibility, the Commission on June 13 extended Special Rules Nos. 2 and 3, affecting the seasonality of the lumbering industry, to cover the calendar year 1940. On the same date the Commission adopted Special Rule No. 5, determining the car icing industry to be seasonal in nature.

ACTION AFFECTING BENEFIT ELIGIBILITY OF STUDENTS

On April 9 the Commission adopted Regulation No. 28 limiting the benefit eligibility of students and particularly denying benefits to students who voluntarily leave employment for the purpose of attending school.

ACTION IN REGARD TO RAILROAD TRANSFER

It was noted in the 1939 report of this Commission that jurisdiction over unemployment compensation for railroad employees was shifted to the Federal Government by passage of the Railroad Unemployment Insurance Act. It was required that funds previously collected by State agencies for railroad workers' benefits be transferred to the Federal Railroad Unemployment Insurance account. If the transfer were not made by July 1, 1939, an equal amount in administrative grants was to be withheld from the State. Legislation to authorize this transfer failed to pass in the closing hours of the 1939 State Legislature and administrative grants were withheld from this agency from July 1 to August 16, 1939, when they were restored after special Congressional action postponed the time limit for the transfer.

Legislation authorizing the transfer was passed by the Arizona State Legislature in its 1940 special session and became effective September 26. The transfer was completed October 25, 1940, when the Commission authorized payment of $338,234.97 to the Railroad Unemployment Insurance Account.

COSTS OF ADMINISTRATION

Arizona has found it possible to reduce the expense of its unemployment compensation program to a considerable degree since operations first began. After the initial cost of procuring equipment and putting the new program into operation, administrative expenses of the agency decreased during 1938 to a steadier operating level. It is believed that expenses have now become relatively constant.

Costs of administering the Arizona unemployment compensation program are met largely with Federal grants made through the Social Security Board, a part of the Federal Security Agency. These funds are appropriated by Congress from the general fund of the United States Treasury on a budget submitted by the Social Security Board, and thereafter by it reapportioned to the States upon semi-annual budgets prepared and submitted by the State agencies. Additional funds are secured from the Federal Government under the Wagner-Peyser Act, from a State legislative

appropriation matching the Wagner-Peyser fund, and from local city and county contributions, the latter usually in the form of rent.

The 2.7 percent contribution collected by the State from employers of three or more is used exclusively for benefit payments.

The Social Security Board has recognized that in States of small population and large area somewhat higher administrative costs must be met, since facilities must be provided for employers and employees in rural areas far from metropolitan centers. In the highly industrialized States economical, centralized administration is much more easily achieved than in the far-flung western States.

TABLE 1.—APPROVED BUDGETS: AMOUNTS APPROVED FOR OPERATION OF THE UNEMPLOYMENT COMPENSATION COMMISSION, TOTALED BY 6-MONTH PERIODS SINCE JANUARY 1, 1938.

Period	Division		Total
	Unemployment Compensation	Employment Service	
January-June, 1938	$140,702.94	$87,394.38	$228,097.32
July-December, 1938	111,820.96	68,960.31	180,781.27
January-June, 1939	78,403.53	63,819.34	142,222.87
July-December, 1939	77,820.23	62,784.61	140,604.84
January-June, 1940			[1]131,799.58
July-December, 1940			[1]151,724.97

[1]Budgets for 1940 were granted in a lump sum for both divisions without the breakdown previously shown. Experience rating operations which began during the second half of 1940 caused a temporary peak load which made an increased budget necessary for this period.

The Financial Statement of the Commission is printed on pages 23 and 24.

RECOMMENDATIONS WITH RESPECT TO THE ADMINISTRATIVE BODY

The Arizona Unemployment Compensation Law originally provided for a Commission of 3 members appointed by the Governor for terms of 2, 4, and 6 years respectively; and thereafter that each new member other than an appointment to fill a vacancy be appointed for a period of 6 years. The law further provided compensation to commissioners for their services.

This section of the law was held to be unconstitutional in a decision handed down by the Arizona Supreme Court as of June 6, 1938. The decision made it mandatory that commissioners' terms expire coterminous with that of the appointing Governor. Commission members have been and now are serving without compensation.

It is the recommendation of this Commission that the Legislature provide a continuing Commission with reasonable compensation in such manner as to be in conformity with the State constitution.

It is further recommended that in view of the general purposes of the unemployment compensation and employment service laws a name similar to "Employment Security Commission" would be preferable to the present title of the administrative body, inasmuch as the present title is identical with the name of one of the subordinate divisions of the Commission, giving rise to a confusion of terminology.

FISCAL RECORD

In October the Accounting Section of the agency became a consolidated division handling field accounting operations of the Commission, formerly in the Field Section. Management of funds and collections for both administration and benefits was thus centralized under a unified control.

Following is the balance sheet for the Commission as of December 31, 1940.

TABLE 2.—FINANCIAL STATEMENT: BALANCE SHEET FOR BENEFIT TRUST FUND AND ADMINISTRATION FUND; AS OF DECEMBER 31, 1940.

I. UNEMPLOYMENT COMPENSATION TRUST FUND

ASSETS			
Cash			
Clearance Fund—State Treasurer		$ 6,532.81	
Unemployment Trust Fund—U. S. Treasury		3,079,774.78	
Valley National Bank—Suspense Account		1,184.10	
Benefit Payment Account		25,928.37	
Total Assets—Cash			$3,113,420.06
RESERVES			
Employers' Contributions	$7,991,554.05		
Interest on Employers' Contributions	19,489.54		
Interest on Unemployment Trust Fund	173,487.97		
Suspense Account	1,184.10		
		$8,185,715.66	
Benefits Paid	$4,734,060.63		
Railroad Unemployment Insurance	338,234.97		
		$5,072,295.60	
Total Reserve for Payment of Benefits			$3,113,420.06

II. ADMINISTRATION FUND

A. Statement of Resources and Reserves

RESOURCES		
Cash		
Deposited with State Treasurer	$ 7,652.56	
Imprest Fund	1,000.00	$ 8,652.56
Appropriations and Grants Receivable Applicable to this Period:		
Local Contributions		25.00
		$ 8,677.56
RESERVES		
Reserved for Unliquidated Encumbrances		$ 6,995.31
Unencumbered Appropriations and Grants		1,682.25
		$ 8,677.56

B. Statement of Receipts and Disbursements
For the Period from January 1, 1940 to December 31, 1940

CASH ON HAND JANUARY 1, 1940		$ 11,477.55
RECEIPTS		
Wagner-Peyser	$ 13,040.00	
Social Security Board	249,915.85	
State of Arizona	12,500.00	
Local Contributions	540.00	275,995.85
Total Receipts and Beginning Balance		$ 287,473.40
DISBURSEMENTS		
Personal Services	$ 197,855.03	
Supplies	13,214.48	
Telephone Expense	4,381.77	
Telegraph Expense	678.24	
Postage	8,370.73	
Travel Expense	20,468.24	
Transportation of Things	321.85	
Printing & Binding	376.30	
Advertising	127.68	
Heat, Light & Water	866.53	
Rent of Premises	18,655.84	
Rent of Equipment	7,180.00	
Repairs & Alterations	616.73	
Miscellaneous	3,525.74	
Equipment Purchases	2,156.68	$ 278,795.84
CASH ON HAND DECEMBER 31, 1940		$ 8,677.56

MERIT SYSTEM COUNCIL

The function of the Merit System Council is to conduct examinations and establish registers of eligibles from which the unemployment compensation agency may make appointments whenever necessary. The work of the council is considered to be a separate function, in the same manner as the United States Civil Service Commission acts independently of the agencies for which it provides qualified workers. The council has attempted to stress this separation of its responsibilities from those of the appointing officers, and representatives of the Commission in turn have referred all applications for employment to the council since the revised plans were undertaken. An account of actions taken by the Commission in setting up new merit system regulations is given on page 18.

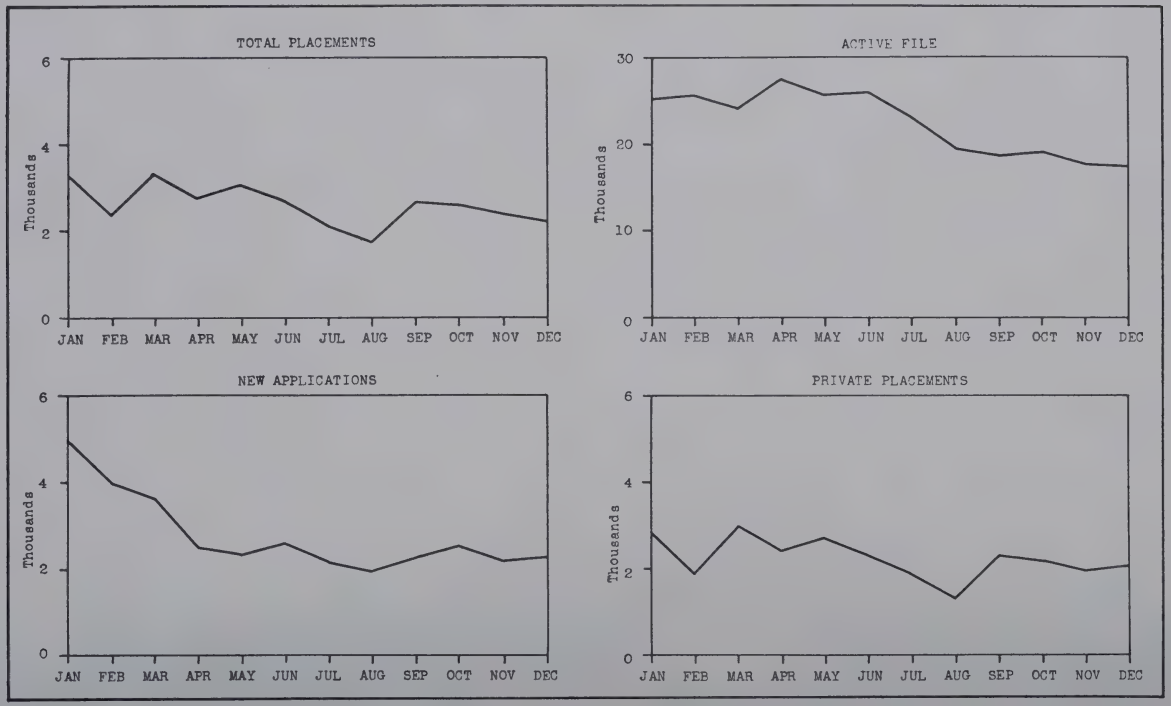
Under new regulations established by the Commission, the Merit System Council was appointed June 13, 1940. A personnel technician and assistant had been employed for a short period to bring the records of the merit system into more usable order and a series of examinations was undertaken to replenish obsolete and depleted registers of eligibles. Due to the fact that this program was begun in accordance with a plan which did not receive full approval of the Social Security Board, however, it was necessary to make a fresh start; and in November applications were opened for 23 classes of positions as follows:

1. Executive Director
2. Director of Employment Service Division
3. Attorney
4. Chief of Benefits
5. Chief Accountant
6. Accountant
7. Statistician
8. Informational Representative
9. Field Supervisor
10. Manager
11. Field Adviser
12. Claims Deputy
13. Senior Interviewer
14. Junior Interviewer
15. Supervisory Tabulating Machine Operator
16. Tabulating Machine Operator
17. Key Punch Operator
18. Senior Clerk
19. Junior Clerk
20. Senior Stenographer
21. Junior Stenographer
22. Typist
23. Bookkeeping Machine Operator

Over 1,600 applications were received for these examinations, scheduled to be held in January.

During the year a total of 85 appointments were made to fill vacancies, of which 14 were promotions within the service.

CHART 4.—EMPLOYMENT SERVICE: TOTAL PLACEMENTS,[1] ACTIVE FILE,[2] NEW APPLICATIONS,[3] AND PRIVATE PLACEMENTS;[4] BY MONTHS, 1940.



[1]Omitting supplementary placements. See Table 3, page 67.
[2]See Table 9, page 73. [3]See Table 10, page 73.
[4]See Table 4, page 68.

ARIZONA STATE EMPLOYMENT SERVICE

One of the divisions of the Arizona Unemployment Compensation Commission is the Arizona State Employment Service, created under Section 12 of the law. The primary function of the service is to bring workers and jobs together more quickly and more satisfactorily to both than would be accomplished by haphazard hiring or by the use of fee-charging employment agencies. The secondary, yet closely related function is that of accepting claims for unemployment compensation benefits from those workers covered by the law, for whom suitable employment has not been found.

Incident to these two main functions is the effort at stabilization of employment. This is accomplished by recording data, studying the labor supply and demand, and by furnishing information to workers and employers whereby they will know what work or what labor is available. This often prevents useless migration within the State and from other States. Registration, claims, and placement figures for various years give a good picture of the employment situation in Arizona. More and more employers, governmental and other agencies are calling upon this service to secure these figures, on which they depend to help them lay plans for increasing or decreasing activities or industry.

INCREASING PLACEMENTS

A general upturn in business throughout Arizona, as well as the Nation, accelerated sharply by national defense activity, accounted for a marked increase in placements by the service and for a decreased file of active applicants for employment.

Placements for 1940 totaled 77,392[1] as compared to 61,009[1] for the year 1939, an increase of 26 percent, and represented the largest number of placements recorded by this service since its creation in 1917. More significant is the fact that of this total number of placements, 26,694 were in private industry, whereas in previous years a larger percentage was in non-relief governmental activities.

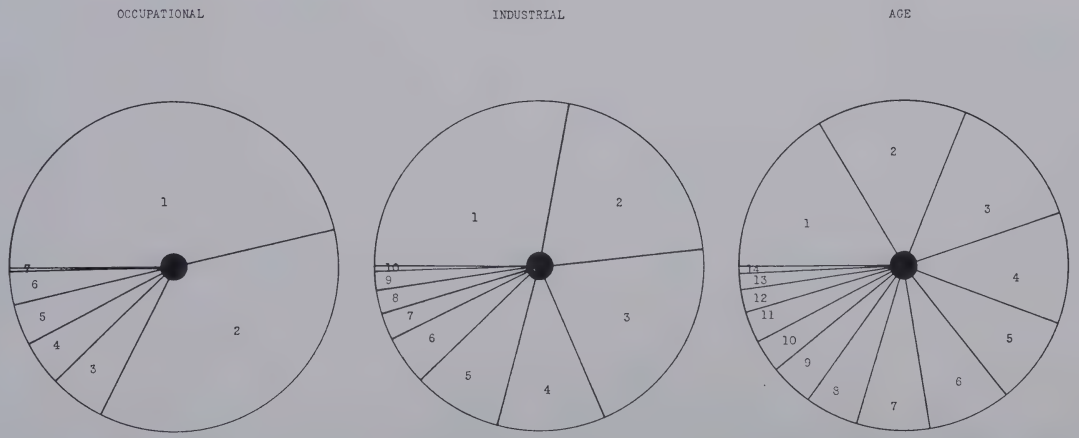
The active file at the close of 1940 included 17,600 applications for work, while 1939 ended with 21,748. The highest total for the active file in 1940 was at the end of April. In 1939 the comparable peak was 25,668 at the end of March.

OCCUPATIONAL DICTIONARY

After several years of intensive research and study the United States Employment Service issued a Dictionary of Occupational Titles which provides State Employment Service offices with a tool to promote the uniform classification of all workers. Definitions of more than 17,000 jobs and

[1]Includes "standard" and "supplemental" placements, the latter mainly agricultural.

CHART 5.—EMPLOYMENT SERVICE: DISTRIBUTION OF PLACEMENTS; OCCUPATIONAL,[1] INDUSTRIAL,[2] AND AGE;[3] PERCENTAGES OF TOTAL, 1940.



		%			%
1.	Unskilled	46.57	4.	Professional & Managerial	4.39
2.	Service	35.82	5.	Semi-skilled	4.37
3.	Clerical & Sales	5.20	6.	Skilled	3.59
			7.	Unassigned	.06

		%			%
1.	Agriculture	27.69	7.	Mining	2.83
2.	Domestic	20.64	8.	Transportation Communication	2.41
3.	Service	20.23	9.	Manufacturing	1.85
4.	Construction	10.69	10.	Finance, Insurance & Real Estate	.42
5.	Government	8.69			
6.	Trade-Wholesale-Retail	4.50			

	Years	%		Years	%
1.	25-29	16.60	8.	50-54	5.01
2.	21-24	14.48	9.	20	4.41
3.	30-34	13.75	10.	55-59	3.16
4.	35-39	10.95	11.	Under 16	2.81
5.	40-44	8.66	12.	16-17	2.45
6.	18-19	8.09	13.	60-64	1.47
7.	45-49	7.24	14.	65 and Over	.89

[1]See Table 6, page 70. [2]See Table 8, page 72.
[3]See Table 7, page 71.

30,000 job titles are contained in this dictionary. It is being used not only by public employment services, but also by personnel departments of private industry, labor organizations, Selective Service Boards, and many others. Upon receipt of copies of the new dictionary intensive training courses were inaugurated in Arizona to acquaint each member of the personnel with its use. Following these courses a complete reinterviewing program by the various offices enabled them to bring their records up to date, and to reclassify persons registered. The offices are now in a much better position accurately to determine the requirements of an employer and to refer for his selection workers who meet those requirements.

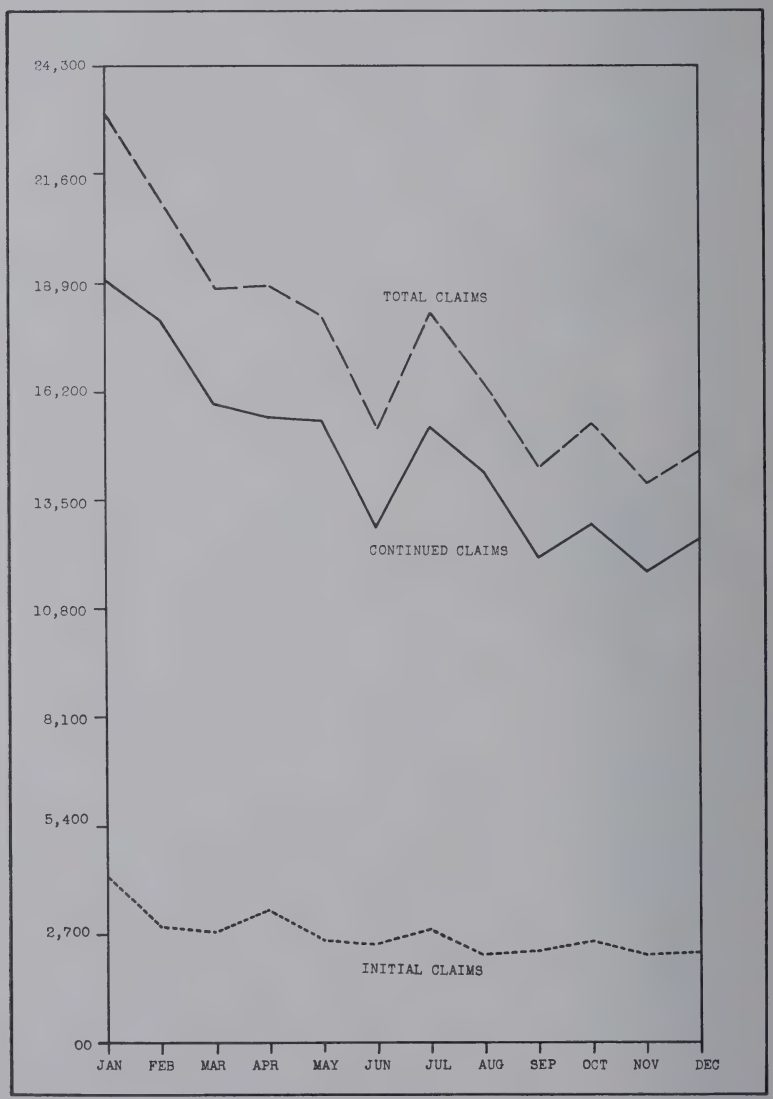
SPECIAL SERVICES

Within the organization of the service are several specialized activities: the Veterans' Placement Service, the Farm Placement Service, and the Junior Placement Service. Special efforts are also made toward the placement of the physically handicapped. The Federal Government provides a representative to aid the State Employment Service and supervise the veterans- and farm-placement work, and the results in these lines are gratifying. Veterans numbering 1,354 were placed in employment during 1940, and the service made 52,104 farm placements in 1940 or 13,906 more than for 1939.

In the junior field, effective July 1, 1940, the service took over full control of the counselors assigned to the Phoenix and Tucson offices. These two individuals, specializing in junior counseling, were formerly paid by the National Youth Administration in order to demonstrate that there is a need in this State for such specialization. This work has been well received and properly has a permanent place in our plan of operation.

In former years the migratory problem incident to the cotton harvest has been handled jointly by this service and an organization conducted by the cotton growers and ginners. By mutual consent, the service was given the entire field for the season which commenced in August of this year. Although the harvest is still in progress, it is nearly completed. Records indicate that the supply of pickers has been adequate, that migration has been controlled, and that there is less likelihood of widespread need for relief than has been experienced in past years.

CHART 6.—CLAIMS FOR BENEFITS: INITIAL AND CONTINUED CLAIMS, WITH TOTAL; BY LOCAL OFFICES AND BY MONTHS, 1940.[1]



[1]See Tables 11 and 12, page 74

BENEFITS

During 1940 many claimants who had completed two benefit years (1938 and 1939) entered their third benefit year, for which eligibility was determined on 1939 and 1940 earnings. A total of 25,899 initial and 166,267 continued claims were filed during the year. Of the initial claims filed, 22,083 were found to be valid and 3,719 invalid. A total of 122,903 checks were issued, representing an aggregate of $1,321,417.21. The amount of benefit payments shown is not corrected for checks on which payment was stopped, which were not cashed and were later cancelled, or which were pending bank-clearance at the end of the year, but represents the gross benefit output of the section.

Benefit Section procedures established during 1938 and 1939 were found adequate with minor changes and adjustments. The work of the section has remained fairly constant throughout the year with no major changes of administration or procedure. Mimeographed forms and form letters have been increasingly used to accelerate the work and reduce operating costs. Further revision of procedure is considered unnecessary until such time as the Legislature may amend the present act.

MECHANICAL UNIT

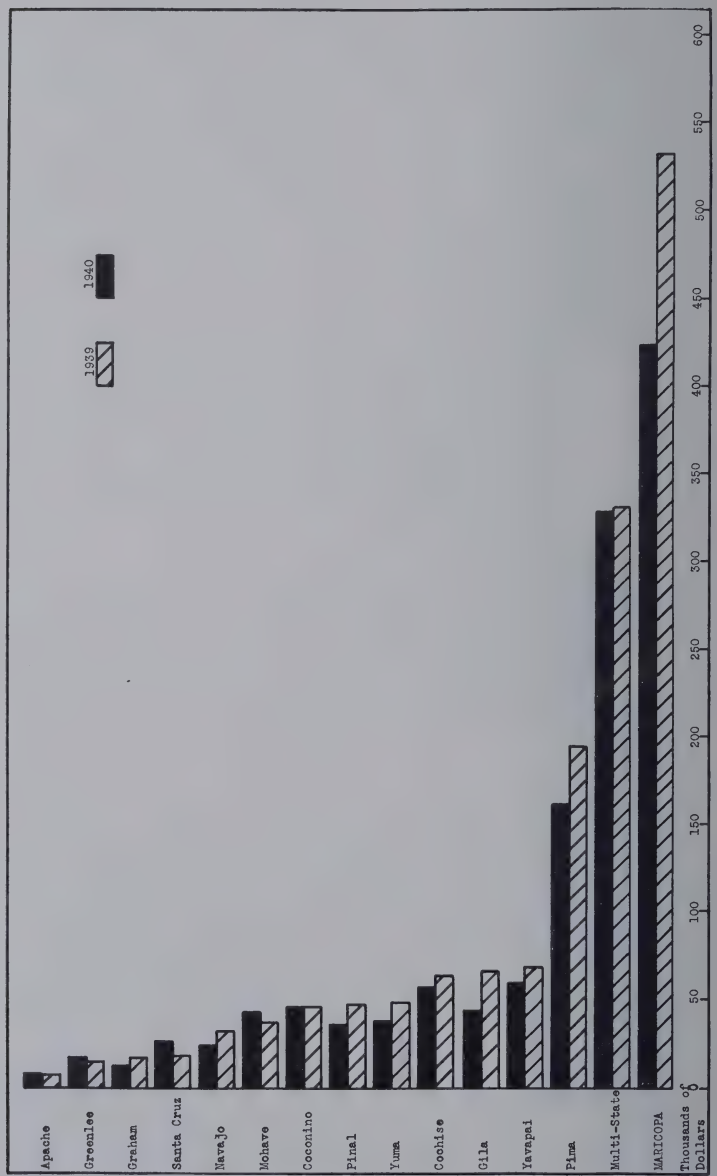
The work of the mechanical unit materially increased during 1940 through the establishment of the experience rating unit and through the necessity of keeping additional records for statistical purposes as required by the Social Security Board. Such additional duties were assumed without a corresponding increase in personnel.

MULTI-STATE CLAIMS

As more and more workers have become familiar with their rights under the Inter-State Benefit Payment Plan there has been an increase in claims filed by multi-State claimants. By this plan workers who have accrued benefit rights in one State and moved to another State may receive benefits from the State in which credits were earned, provided all eligibility conditions are fulfilled. The State against which claimants file is known as the liable State and the State from which they are filing is known as the agent State.

In the year 1940, there was an increase in such claims received by Arizona, both as the liable and agent State. A control card for the posting of all claims in which Arizona is liable is maintained in the Benefit Section. Such posting is a manual process and the validity of each claim is passed upon by a Commission deputy.

CHART 7.—BENEFIT PAYMENTS: AMOUNT BY COUNTIES, 1939-40.[1]



[1]See Table 14, page 76

APPEALS

During the period covered by this report benefit claimants filed 37 formal appeals from the determination of the claims deputy. Of these decisions only seven were carried to the Commission for review and in each case the Appeal Tribunal was sustained by the Commission. Only one action (affecting two appeals) has been filed in the civil courts as a further appeal from the Commission review. This case was still pending at the close of the year.

FRAUDULENT CLAIMS

Late in the year 1939 procedure was adopted for the handling of fraudulently-filed claims. This procedure entailed the retention of a control register and the drafting of specialized forms for the maintenance of debit balances.

Procedures written for the experience rating unit also included provisions for detailed audits of all claims filed and therefore effected a discovery of illegal filings for the years of 1938 and 1939. Where fraud was indicated, employers were contacted and asked to furnish full information as to the periods worked in the respective quarters involved. Through comparison of this detailed investigation with the check registers kept in the claimants' folders, it was possible to set up and audit claims believed fraudulent. Claimants were then notified and requested to offer explanation.

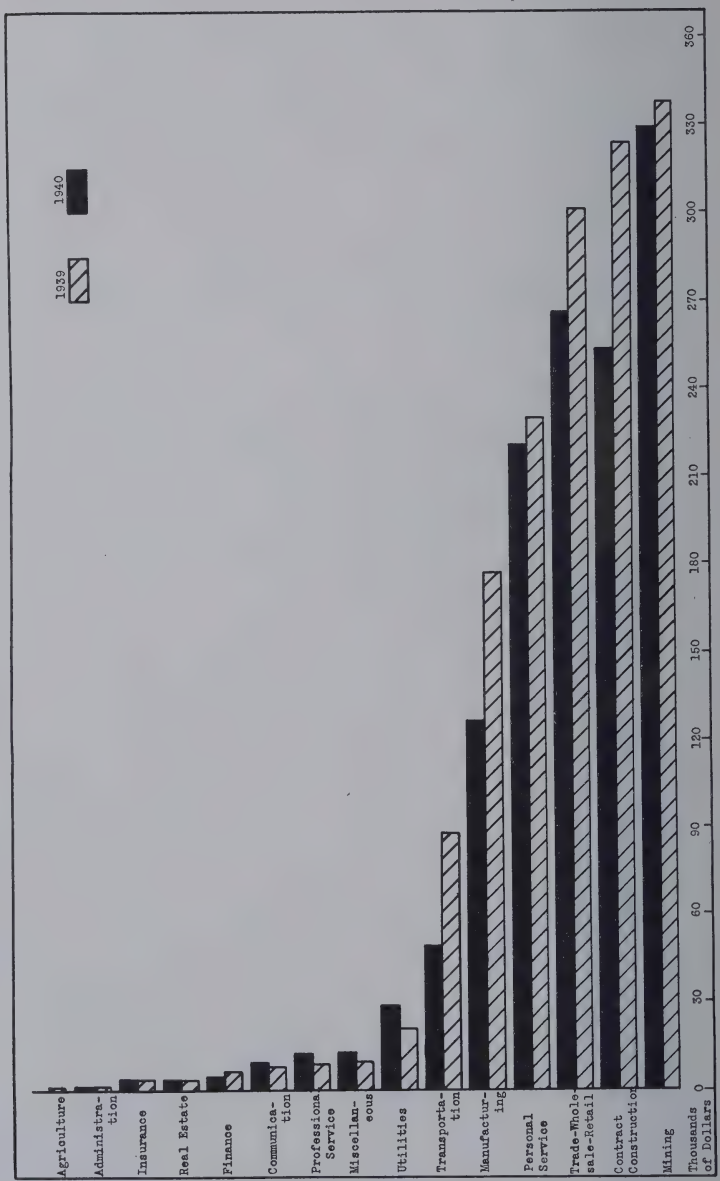
Many claimants, so notified, asked for permission to repay the illegally-drawn amounts to the fund. As a result of the adopted procedure and action taken by the Benefit Section during 1940, indications of fraud in 969 cases, involving a total of $34,742.83, were detected. In accordance with the provisions of the law pertaining to recoveries, 465 cases, representing $15,385.04, have been settled and the remainder are in the process of adjustment. Such collections were possible without an increase in personnel. Arizona was one of the first States to set up a fraud procedure and start action against such cases.

RECOMMENDATIONS FOR AMENDMENTS

Constructive criticisms of the Arizona Unemployment Compensation Law as it pertains to benefit payments, together with recommended improvements, are presented on the following pages of this report. Provisions of other State laws on the points affected are outlined with the recommendations, for purposes of comparison.

While it is difficult to keep abreast of changes in State legislation throughout the country, the comparative information presented herein is correct to October 1, 1940, and only minor variations are believed to have arisen since that date. The term "State" is used to include the 48 States of the Union, the District of Columbia, Alaska, and Hawaii, all of which

CHART 8.—BENEFIT PAYMENTS: AMOUNT PAID, BY INDUSTRIES, 1939-40.[1]



[1]See Chart 15, page 78

have unemployment compensation programs in operation. Publications of the Social Security Board and of the Interstate Conference of Employment Security Agencies have been particularly helpful in preparation of comparative material.

For convenience, the analysis of other State laws divides the benefit structures of these laws into units—the separate factors on which benefit rights depend. It is extremely important in making comparisons to note that the parts of a benefit structure are interdependent, and for a valid comparison the entire benefit structure of each law should be taken into consideration. The amount of wages required of an individual to qualify for benefits, the period for earning such wages, and the method of computing the weekly benefit amount and duration all have their influence on results of a benefit formula.

SIMPLIFICATION

The outstanding need of the benefit structure in the Arizona law is simplification. Simplification is necessary, in the belief of this Commission, both for ease of administration and to promote wider understanding of benefit rights among employees. It is distinctly possible for benefit provisions of the law to be made so easy to understand that potential claimants for benefits will be able to determine for themselves the approximate amount to which they will be entitled. At the present time, the Arizona law provides for two separate periods (one of three calendar quarters and one of eight quarters or more) during which the claimant's earnings must be taken into consideration to determine his eligibility for benefits and the number of weeks for which benefits will be paid. The present extensible base period, governing the total amount payable to a claimant, makes necessary periodic redeterminations after an initial determination of benefits has been made. Calculation of benefit amounts to the nearest cent adds to the difficulty of administration and makes it difficult for the claimant to understand the method by which his benefit amount is established.

METHODS OF SIMPLIFYING

The importance of gearing benefits to the claimant's previous earnings has been recognized in unemployment compensation laws throughout the United States, but the extent of relationship between benefits and wages is a variable factor from State to State. Among methods of simplification which have been adopted in other States are benefit categories and schedules, which seek to maintain the relationship of wages and benefits but also to group claimants (in accordance with their earnings) in such a way as to reduce the infinite variety of possible benefit amounts. Other methods of simplification include the establishment of fixed periods on which eligibility and amounts of benefits are based.

Base Period

The total amount of benefits a claimant may receive depends on his earnings during the "base period". A base period may be either fixed or extensible.

1. If fixed, it consists of a definite period of time; the benefit determination based on it will hold good for a year.

2. If extensible, it grows longer as additional quarterly wage reports are received (after the benefit determination has been made) until expiration of the claimant's benefit year. Benefits must be redetermined at intervals.

Fixed base periods are used by 45 States, and 3 States do not measure benefit rights on a base period. Arizona and 3 other States use extensible base periods.

That is to say, under Arizona law the beginning of the base period is fixed, but the date ending the period changes as additional calendar quarters are completed. The period is continually becoming larger during the time when a claimant is receiving benefits, and it is necessary to compute and recompute his benefit amount at intervals during the benefit year, a practice which appears to be unnecessarily cumbersome. It is believed that good administration will be facilitated by changing the base period to a fixed duration in such a way as to avoid continual re-determinations.

Base Period and Qualifying Period

In computing a claimant's benefit rights, it must first be determined whether he has sufficient earnings during a specified past period to enable his qualification for benefits. In 40 States, this qualifying period is the same as the base period, and the entire determination as to qualification, weekly benefit amount, and duration of benefits is calculated on the single period. In 11 States, including Arizona, the base period is used to determine maximum benefits, but a shorter period is used to determine whether or not the claimant qualifies for benefits.

It would be simpler, both from an administrative point of view and from the standpoint of public understanding of the law, if in addition to setting up a fixed base period, as suggested above, the period were shortened to include only the first four out of the past five completed calendar quarters before the claim is filed. With this arrangement the base period and the qualifying period could be made the same, and would become a "base year" on which all calculations would be based. Benefits are now computed to range as high as 1/6 of the claimant's wage credits in the base period, and under the suggested change this fraction should be changed to 1/3.

Under the existing law approximately 50 percent of claimants are awarded the maximum benefit duration on their initial determination. Under the suggested change probably more claimants would be awarded the maximum. The failure to extend the base period would not penalize any claimant or group of claimants, due to the fact that "lag quarter earnings" under the present law would be carried forward to the claimant's next benefit year.

BENEFIT YEAR

The term benefit year refers to the 52-week period during which a worker may receive his maximum total benefits. Those who exhaust their benefits before the end of a benefit year must wait until a new benefit year before they can again draw benefits. Considerable awkwardness results from the present definition of this period, which is so worded as to set the beginning-date with the claimant's first compensable week. Since the beginning of the base period is determined by the benefit year, yet computations using the base period must necessarily be made before the benefit year has begun, it is necessary to estimate the beginning of the benefit year in order to compute benefits. This difficulty would be avoided if the benefit year were so defined as to start on the filing date of the claimant's initial valid claim.

As a matter of comparison, the laws of 36 States provide that the benefit year shall begin either with the first valid claim or compensable week, while in 12 States the benefit year does not depend on the individual, but is specified for all claimants, beginning and ending on fixed dates specified by law. It is noteworthy that all of these 12 States also use a uniform base period, specified for all claimants filing within a given time, regardless of the exact date. Three other States have varying provisions.

WAITING PERIOD

At the present time a claimant must serve a waiting period of 2 weeks of total unemployment immediately preceding his first compensable claim. If the claimant becomes employed and his series of claims is interrupted by employment for a period of as long as 13 weeks, he must serve another 2-week waiting period; however, he is not required to serve more than 5 waiting weeks in 65 calendar weeks. It is suggested that the waiting week period be reduced to 2 weeks in each benefit year. This arrangement appears to be more equitable and would not penalize the claimant for accepting employment. Twenty-eight States use a single waiting period of 2 weeks, and 6 use a single waiting period of 3 weeks in a benefit year.

ADDITICNAL METHODS USED BY OTHER STATES

A considerable variety of benefit formulae have been adopted by the various States, some in an effort to achieve greater simplicity without

radical changes in the amount of benefits paid. A brief survey of provisions included in other State laws is provided for comparative purposes.

CALCULATION OF WEEKLY BENEFITS

Most States fix the weekly benefit amount at about 50 percent of a claimant's full-time weekly wage. Many of these States have taken the calendar quarter in the base period in which the claimant received his highest earnings as the period which most nearly reflects full-time work, and their laws provide that the weekly benefit amount be computed as a fraction of such wages. Twenty-one States using this system use a fraction higher than 1/26 of the quarterly earnings to compensate for the fact that even the quarter of highest earnings includes some weeks of unemployment. Following is a tabulation of the methods of calculation used:

1. Ten States base their computation on the full-time or average weekly wage.
2. Thirty-two States use the following fractions of the quarter of highest earnings within the specified period:
   a. 1/20— 8 laws
   b. 1/23— 2 laws
   c. 1/24— 1 law
   d. 1/25—10 laws
   e. 1/26—11 laws
3. Four States use a weighted schedule which gives a greater proportion of the highest quarterly wages to lower paid than to higher paid workers.
4. Five States use a schedule based on annual earnings.

A close relationship between the claimant's benefit amount and his past earnings is an important principle of unemployment compensation in the United States. The States vary, however, in the exact relationship maintained between benefits and earnings, and in general it may be said that the closer the relationship the more complicated are the benefit computations necessary. If a weekly benefit amount is computed as an odd figure, it is rounded off in most States by raising or lowering it to the next dollar (or other) interval. The effect of this provision is actually to establish earnings-categories for determination of the weekly benefit amount. Benefit amounts at intervals of one dollar only are used by 26 States, while 12 States use a 50-cent interval. Five States use intervals of 5 to 25 cents; Wisconsin uses a $1.50 interval; and 7 States, including Arizona, have no provision for rounding the weekly benefit amount.

In 41 States the *maximum* benefit per week is $15. The other States have different maxima as follows:

$16.00—Alaska, Illinois, Michigan, Rhode Island, Utah.
18.00—California, District of Columbia, Idaho, Louisiana, Wyoming.

The most common *minimum* benefit amount, found in 16 States, is $5 a week. Six States provide for a minimum of either a dollar-amount or a percentage of the full-time weekly wage, whichever is the lesser. One State law has no provision for a minimum benefit. Following is a list of States with a flat minimum amount:

$10.00—California.
7.50—Pennsylvania.
7.00—Illinois, New York, Oregon, Washington.
6.00—District of Columbia, Massachusetts, Michigan, Rhode Island, Wisconsin.
5.00—Alaska, Colorado, Connecticut, Delaware, Hawaii, Idaho, Kansas, Maryland, Minnesota, Montana, Nebraska, Nevada, New Hampshire, New Jersey, North Dakota, Texas, Utah, Wyoming.
4.00—Kentucky, Tennessee.
3.00—Arkansas, Florida, Louisiana, Maine, Mississippi, New Mexico, South Carolina, South Dakota, Virginia, West Virginia.
2.00—Alabama, Indiana.
1.50—North Carolina.

The following States use a flexible minimum:

$8.00, OR ¾ of the full-time weekly wage, whichever is less: Oklahoma.
5.00, OR the full-time weekly wage, whichever is less: Iowa.
5.00, OR ¾ of the full-time weekly wage, whichever is less: Arizona, Georgia, Missouri, Vermont.

Ohio provides no minimum.

Forty States provide for variable duration of benefits with a plan similar to that used by Arizona, under which an individual worker's benefit duration is computed from his earnings up to a maximum provided by law. Eleven States make no provision to limit benefits in accordance with previous earnings but allow uniform duration for all eligible claimants. The following table indicates maximum benefits payable within 52 weeks, in terms of weekly benefits for total unemployment:

20 weeks—Alabama, Louisiana, Massachusetts.
19 weeks—District of Columbia.
18 weeks—Nevada.
17 weeks—Idaho.
16 weeks—Alaska, Arkansas, Colorado, Florida, Georgia, Hawaii, Illinois, Kentucky, Maine, Maryland, Michigan, Minnesota, Montana, Nebraska, New Hampshire, New Jersey, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, South Carolina, Tennessee, Texas, Utah, Virginia, Washington.
15 weeks—Indiana, Iowa.
14 weeks—Arizona, Mississippi, South Dakota, Vermont, West Virginia, Wyoming.
13 weeks—Connecticut, Delaware, New York, Pennsylvania.
12 weeks—Missouri.
As given in weighted table of earnings categories—California, Rhode Island. (The greatest possible duration is 26 times the weekly benefit amount in California, 20¼ times the weekly benefit amount in Rhode Island.)
No limit except credits available—Kansas, Wisconsin. (In Kansas no limit is specified, but actually is limited by the benefit formula to 16 times the weekly benefit amount.)

Each worker who is eligible for benefits in any of the States has credits enough to allow him to draw at least a few benefit checks because of the wage or employment qualifications established in the law. The minimum possible benefit duration is established by the eligibility requirements and generally represents the duration of benefits for a worker barely able to qualify on the basis of his past earnings for the highest weekly benefit amount, although 2 States have a specified minimum duration. The Utah law provides for an 8-week minimum and the 11 States listed below as providing 16, 14 and 13 weeks benefits as a minimum have flat durations provided by law:

MINIMUM WEEKS OF BENEFITS PAYABLE

16 (7 laws)	14 (3 laws)	13 (1 law)	10 or 10+ (7 laws)	9+ (1 law)	8 or 8+ (5 laws)	7 or 7+ (4 laws)
Kentucky	Mississippi	New York	Alabama	California	Alaska	Idaho
Maine	S. Dakota		Colorado		Hawaii	Maryland
Montana	W. Virginia		Dist. Columbia		Michigan	Mass.
N. Carolina			Florida		Utah	Wyoming
Ohio			Nebraska		Vermont	
S. Carolina			New Mexico			
Tennessee			N. Dakota			

6 or 6+ (4 laws)	5 or 5+ (2 laws)	4 or 4+ (5 laws)	3+ (3 laws)	2+ (7 laws)	Under 2 (3 laws)
Minnesota	Arkansas	Connecticut	Oregon	Arizona	Kansas
Nevada	Louisiana	Delaware	Rhode Island	Georgia	Pennsylvania
Virginia		Illinois	Texas	Iowa	Wisconsin
Washington		Indiana		Missouri	
		New Hampshire		New Jersey	
				Oklahoma	
				Virginia	

WAGE OR EMPLOYMENT QUALIFICATIONS FOR ELIGIBILITY

Since unemployment compensation is designed to cover employable workers normally attached to the labor market, all State unemployment compensation laws have a qualifying wage or employment provision to measure the worker's attachment to the labor market or to an employment. Most of the early laws required a definite number of weeks of covered employment within a specified past period to enable a claimant to qualify, but this type of qualification is now used in only 2 States. The wage qualification is expressed as the multiple of the weekly benefit amount in 34 States under present laws, while in 15 States it is expressed as a flat dollar amount ranging from $100 to $300. Following is a breakdown of the requirements used in the 51 jurisdictions:

1. Qualification on basis of wages during a specified past period: 49 States:
   a. As a multiple of the weekly benefit amount: 34 States:
      (1) 13 times weekly benefit amount earned in 4 quarters: 1 State
      (2) 14 times weekly benefit amount earned in 3 quarters: 1 State (Arizona)
      (3) 15 times weekly benefit amount earned in 4 quarters: 1 State
      (4) 16 times weekly benefit amount:
         (a) Earned in 3 quarters: 3 States
         (b) Earned in 4 quarters: 4 States
      (5) 20 times weekly benefit amount earned in 4 quarters: 1 State
      (6) 24 times weekly benefit amount earned in 4 quarters: 2 States
      (7) 25 times weekly benefit amount:
         (a) Earned in 4 quarters: 4 States
         (b) Earned in calendar year: 2 States
      (8) 28 times weekly benefit amount, earned in 4 quarters: 1 State
      (9) 30 times weekly benefit amount:
         (a) Earned in 4 quarters: 9 States
         (b) Earned in calendar year: 1 State

(10) 60 times weekly benefit amount, earned in 8 quarters: 1 State

(11) 36 times weekly benefit amount minus $36, earned in calendar year: 1 State

(12) 40 times weekly benefit amount if such amount is from $3 to $6; 50 times weekly benefit amount if such amount is $7 or higher; earned in 4 quarters: 1 State

(13) Weighted schedule, requiring wages of 28-52 times the weekly benefit amount, earned in 4 quarters: 1 State

b. As a flat amount: 15 States:

(1) Wages of $100, earned in calendar year: 1 State

(2) Wages of $125, earned in 4 quarters: 1 State

(3) Wages of $126, earned in calendar year: 1 State

(4) Wages of $130, earned in calendar year: 1 State

(5) Wages of $144, earned in calendar year: 1 State

(6) Wages of $150, earned in calendar year: 1 State

(7) Wages of $200:

(a) Earned in 4 quarters: 4 States

(b) Earned in calendar year: 1 State

(c) Earned in 12-month period ending on September 30 before the first day of benefit year: 1 State

(8) Wages of $225, earned in calendar year: 1 State

(9) Wages of $300, earned in 4 quarters: 1 State

(10) Wages earned subsequent to last day of last base period, if any, of $50 in each of 3 of first 4 of last 5 completed calendar quarters or totaling $250 in first 4 of last 5 completed calendar quarters: 1 State

2. Qualification on length of employment: 2 States:

a. Employment in 20 weeks in year preceding application for benefits: 1 State

b. Employment over 4 weeks (on at least 12 working days) or on a monthly salary basis of more than 1 month, by employer from whose account employee draws benefits (after employer becomes liable for contributions): 1 State

NEED FOR TRANSITION PROVISION IN EVENT OF AMENDMENT

Thirty States which amended their unemployment compensation benefit provisions during 1939 set up special interim provisions in order to shift the system as smoothly as possible from the old to the new basis. Transition procedures were considered necessary in fairness to claimants who had accumulated benefit rights under the old system and also to allow the State agency to carry its claim load without delays during the transition period. In 19 of the States the new law went into effect for all new applicants after a given date, but the old law continued in effect throughout the benefit year for all claimants having a benefit year in process. The old provisions applied in 2 States to individuals who had filed initial claims or who were serving waiting weeks on the effective date of the new law, and in 2 States provisions of the old law applied to individuals drawing a continuous series of benefit checks on the effective date of the new law and continued to apply until the end of the series of checks. Variations of these provisions were used in the remaining States.

BENEFIT RIGHTS OF MILITARY ENROLLEES

Since to be eligible for benefits claimants are required by law to have a certain attachment to the labor market, an individual who is removed from the labor market for any considerable period will lose a portion or all of his benefit rights. An obvious injustice will result from present requirements under which a number of covered workers, removed from the labor market by the Selective Service program, will have lost their benefit rights at the end of their training period. This Commission recommends that persons enrolling in the army for military training receive the benefit of legislation to maintain their benefit rights during the period of training and for a reasonable length of time thereafter.

SEASONALITY

It is recommended that the Legislature give consideration to the matter of seasonal employment. It has been the experience of this Commission that inequities to either workers or employers may easily arise, even when utmost care is used in distinguishing between seasonal and non-seasonal employment. Furthermore, countless individual differences between the work histories of persons in seasonal employment, some of whom have worked only a portion of the time in a seasonal industry, tend to create additional complications.

DISQUALIFICATIONS FOR BENEFITS

It is recommended that the Legislature consider the present provisions of the law pertaining to eligibility conditions precedent to the drawing of unemployment compensation benefits and the benefit disqualification conditions to which the administrative body is restricted. Although the Arizona unemployment trust fund is produced from employer contributions no part of it is returnable in any manner to the contributor. All of it, not even excepting administrative expenses, is a reserve for the benefit of future unemployed, and each employed person covered by the law may be said to have a potential stake in the fund. It constitutes his rightful protection against distress that may come from future periods of unemployment.

He is therefore directly concerned with the preservation of this fund and with safeguards against any part of it being paid under pretense of involuntary unemployment or any part of it going to persons who, whether or not in good faith, are not entitled to benefits.

It should be pointed out likewise that present disqualification provisions are adequate in some cases in regard to the duration of the penalty period, but become ineffective because restricted to the week in which a

cause for disqualification occurred, plus a certain number of weeks thereafter. In many cases the period of disqualification has passed before the individual even files his claim.

DISQUALIFICATIONS IN OTHER STATES

Periods of disqualification for workers who leave their jobs voluntarily without just cause, who have been discharged for misconduct, or who refuse to accept suitable work, or for other reasons, are usually set by the State agencies within limits prescribed by the various State laws, but are sometimes set as a flat period by the statute, and the agency merely determines whether or not it applies. In addition to suspension of benefits under circumstances which require disqualification, some State laws provide that weeks of suspension shall be deducted from the maximum benefits payable as though benefits had been paid, or provide for cancellation of wage credits.

Benefits are suspended for a flexible period, in the case of voluntary leaving, by 23 State laws, while 16 States suspend benefits for a flat period (ranging from 1 week to the entire time that a worker is unemployed after quitting his job). In 11 States a worker is not only subject to postponement of benefits, but reduction of his benefit duration is optional (2 States) or mandatory (9 States).

The disqualification for misconduct is flexible in 29 States and in 8 a flat period is provided by law. Refusal of suitable work is followed by a flexible disqualification in 23 States, and a flat disqualification in 17 with a possible reduction of benefit rights in 4 States and a mandatory reduction in 7.

Among the group of States using the flexible disqualification, the shortest disqualification for the above causes requires that this period shall not be longer than 5 weeks, while the longest suspension is 3-9 weeks.

Of the group having flat disqualification set by law, the period ranges from 1 week to the entire period of unemployment for voluntary leaving; from 2 weeks to the same maximum for misconduct; and from 3 weeks to the requirement that an individual must have been re-employed and have earned the qualifying wage, before benefits are again payable, for refusal of suitable work.

Among the States which reduce benefit rights when cause for disqualification is shown, the reduction for the various causes ranges from a 1-5 week period to a cancellation of all wage credits earned from the employer whose service the claimant left, or who discharged the claimant for misconduct. In the case of refusal of suitable work, this latter group of States uses reduction of benefits ranging up to cancellation of all wage credits earned before the work was refused.

DISQUALIFICATIONS APPLYING TO MULTI-STATE CLAIMANTS

The Interstate Benefit Payment Plan was drafted to protect workers who have built up wage credits in more than one State, the thought being that many workers (not including the migratory class) do work in more than one State through no choice of their own, due to transfers or following certain kinds of work, most usually in building or road construction activities.

The plan is also extended to pay benefits to workers who build up credits in one State and who, upon becoming unemployed, move to another State in search of greater opportunities for employment. The Commission considers it a matter of importance that the plan be maintained strictly for the benefit of bona fide Arizona workers who are unemployed and seeking employment in good faith. Consideration of the Legislature is recommended to the end that the unemployment compensation fund be conserved for such workers and not expended for workers who:

(1) Acquire benefit rights in Arizona, and then leave the State to reside in localities where work placement opportunities in their usual occupations are remote.

(2) Claim benefits from Arizona while residing in another State for personal reasons only; that is, a claimant who has voluntarily quit his job in Arizona for reasons other than those connected with his work.

(3) Take up farm work or other self-employment in other States after having built up wage credits in Arizona.

(4) Remove themselves to other States and claim benefits while not physically able to work within the meaning of the law.

(5) Plainly show lack of interest in re-employment by not registering for work in any Arizona State Employment Service office, and giving that office an opportunity to place them in employment before removing themselves to another State, *except when*

   (a) The claimant's work history shows that he is able to secure employment in more than one State in following his regular occupation.

   (b) The claimant's work history shows he has been regularly employed in another State for a period of not less than 8 weeks prior to filing a claim against Arizona.

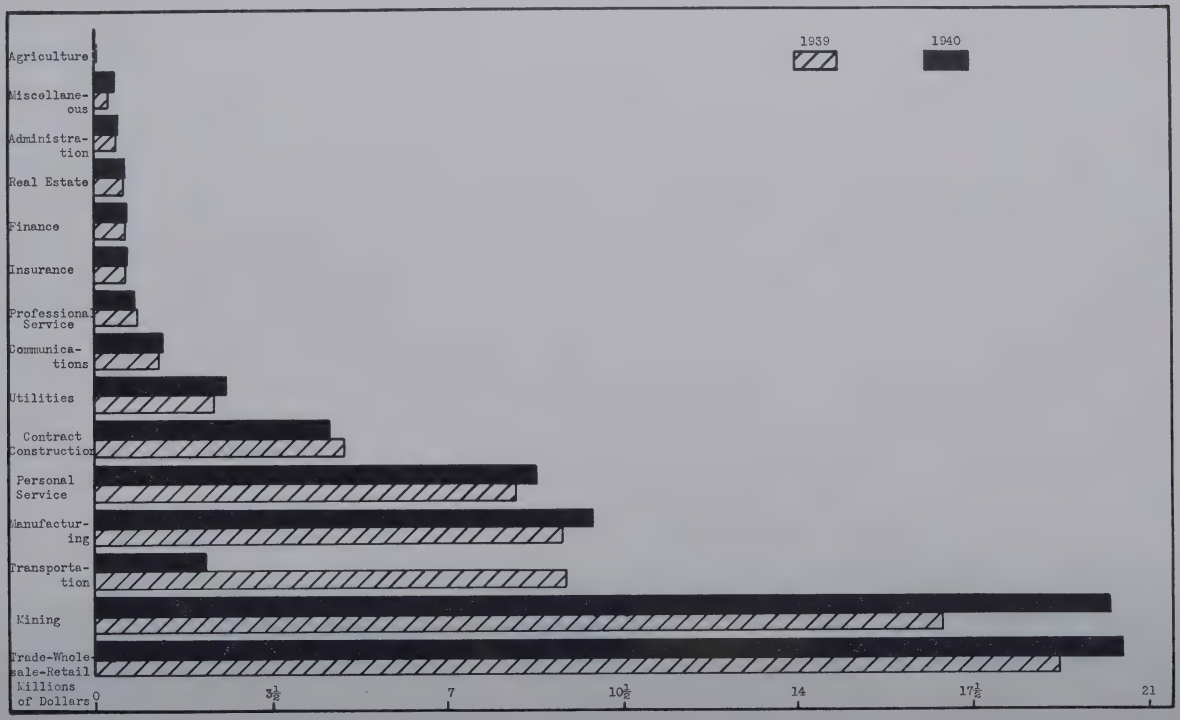
   (c) The Commission finds that placement opportunities in the claimant's usual occupation are better in the locality from which claims were filed than in Arizona.

Our records for the first 9 months of 1940 show that Arizona paid benefits to claimants residing out of the State in the amount of $248,480.00 while claimants residing in Arizona received benefits of $229,990.00 by virtue of wage credits earned in other States. Therefore, benefit checks mailed out of Arizona exceeded those coming into the State by $18,490.

DISQUALIFICATIONS BECAUSE OF MARITAL STATUS

A possibility of inequities arises in cases of women becoming unemployed because of marriage. In some cases the employer has a "house rule" against the continuation of employment after marriage, and a woman becoming unemployed from the application of such a rule is ordinarily considered available for employment elsewhere, and consequently eligible for benefits. In other cases actual availability for employment is questionable, especially when the situation is complicated by the removal of the claimant to another State to join her husband. Consideration of this matter is recommended with the view of writing into the law increased assurances of equitable treatment of all claimants.

CHART 9.—WAGE PAYMENTS: AMOUNTS PAID, BY INDUSTRIES; SHOWN IN MILLIONS OF DOLLARS, 1939-40.[1]



[1]See Table 18, page 82

CONTRIBUTIONS

EXPERIENCE RATING

By provisions of the Arizona Unemployment Compensation Law the Commission is directed to set up individual employer experience rating accounts. In 1941 and thereafter each employer's contribution rate will depend on the reserve in his account divided by his average annual payroll. Each employer's reserve, found by subtracting benefit charges from the contributions credited to his account, will reflect employment experience during the entire period in which his employees might have received benefits by meeting the eligibility requirements. Under both State and Federal law, no employer's rate can be reduced, however, unless he has had at least three years of coverage during which his employees might have qualified for benefits.

RECORD FOR THE YEAR

In order to prepare employer accounts for the beginning of experience rating in 1941 the Commission set up an experience rating unit operating within the Benefit and Accounting Sections to make proper credits and debits to employer accounts. A favorable relationship between Federal and State taxation for unemployment compensation is necessary if experience rating is to function properly. Employers liable for both Federal and State taxes must secure credit against the Federal tax for all contributions paid the State, in order to avoid double taxation. When a reduced tax rate is granted to an employer by the State, it becomes necessary that Federal credit be granted as though the employer had paid the regular, and higher, State rate. Otherwise any saving made by reduction of State taxes for employers covered by Federal and State laws would immediately be payable to the Federal government. In order to obtain additional Federal credit for reduced State taxes it is necessary that the State procedure for operation of experience rating be approved by the Federal Social Security Board. In preparation for this final step in the development of unemployment compensation in Arizona, therefore, the Commission on May 16, 1940, submitted proposed rules, regulations and procedures for experience rating to the Federal agency. Taking into consideration suggestions thereafter received from the Bureau of Employment Security, Social Security Board, the Commission completed its procedures and on August 13, 1940, began work to determine debits of employer accounts as the result of benefit payments. Subsequent adjustments in these procedures were made during November and December.

The task of the experience rating unit in the Benefit Section during 1940 was to complete the assignment of charges for benefits paid during 1938 and 1939, so that work on the 1940 charges might be completed early in 1941. The portion of the experience rating unit under the Accounting Section had the task of setting up employer experience rating accounts,

making adjustments necessary in cases where firms changed hands or where contributions were delinquent, and preparing abstracts for the establishment of experience ratings. Since variable contribution rates are to be effective in 1941, the entire process of crediting employer accounts with contributions previously made and debiting accounts with benefits paid during 1938 and 1939 had to be completed during December 1940, in order that all 1940 contributions could be credited and benefits debited without delay when the necessary information became available.

Since over 100,000 computations of charges were necessary for the years 1938 and 1939, and over 40,000 for the year 1940, the services of a number of computers were required. Two employees were released from their regular duties in the Benefit Section to begin the work on August 13. When they had become sufficiently experienced to instruct others, a group of 2, then 2 groups of 4 employees new to the organization were added at bi-weekly intervals, so that 12 persons were assigned to the unit by October 1.

Complete written instructions were prepared in advance and a carefully-designed training procedure was carried out on the job to familiarize new employees with their duties. Studies of the charge-back operation indicate that it costs $28.50 to train each new employee. Although this figure is considered unusually low in view of the complex computations involved, it indicates the increased costs which accompany the induction of new employees.

MEASURE OF PROGRESS

Weekly time studies of experience rating operations were conducted as a measure of progress. Progress of the experience rating unit in the Benefit Section was measured in terms of claimants' folders completed, of which 31,000 were handled in less than 16 weeks. Studies from the first through the sixteenth week revealed that the average number of folders completed per day per employee increased from 25 to 52 and the average number of minutes per folder decreased, as operations continued, from 17 to 8. Within the Accounting Section an accountant and one assistant established a register of multiple employer accounts during the 16 week period (410 units), proofed the employer's contribution ledger (5,300 units), adjusted exceptions (1,099 units), and determined the starting and ending dates of employer coverage for all active accounts.

RECOMMENDATIONS

The Arizona Unemployment Compensation Law provides that only that part of an employer's contribution *in excess of 1 percent of his payroll* may be credited to his experience rating account. Payments up to 1 percent are credited to a general pooled account. The result of this requirement is that employers' accounts are relatively slow to reach the reserve ratio required for a reduction of contribution rates. An employer with "perfect"

experience (*no benefits charged to account and non-variable payroll*) would be required under the law to continue making contributions at the rate of 2.7 percent until the year 1942 when his rate would drop to 2 percent. He could not reach a rate of 1 percent until 1945. An employer whose account received benefit charges equal to one-half of the contributions credited, experience believed to be above average, would first receive a reduced rate in 1958, at which time he would begin paying at the rate of 2 percent. An employer account with charges equal to credits, however, would require the assessment of an increased rate immediately—that is, in 1941.

Table No. 20 on Page 84, illustrates in tabular form the operation of experience rating for employers with various types of experience. It should be noted in reading this table that the last column gives the rate for "the following year"—for example, in the last column opposite 1941 appears the rate to be assigned for the year 1942.

In view of the above facts, this Commission recommends that the Legislature consider the problem of experience rating, and recommends further that the current experience rating provisions of other State laws be studied.

Consideration should be given to the time element in connection with administration of experience rating. In most cases wage reports are not due from the claimant's most recent employer until some time after benefit checks are first issued. Under the system now in use, of charging-back each individual check, the employer account therefore cannot be debited immediately. Conversely, the series of checks is often unfinished when the wage report arrives, and it is not then possible to debit the entire series of payments. Whatever the system of charging employer accounts, a lag period between the time covered by the charges and the date when new rates become effective would appear imperative. No such lag period is now included in the Arizona law.

EXPERIENCE RATING IN OTHER STATES

Thirty-one State legislatures amended their experience rating plans during 1939. Divergent viewpoints shown in these legislative sessions indicate general agreement on only one aspect of experience rating: that we need to know more about it. Basic issues involved in setting up variable tax rates still require the test of experience. Nevertheless, by the close of 1939 all State laws but 1 included some plan for the development of experience rating, although 11 of these States have provided only for administrative studies.

PROBLEMS FACING THE STATES

Before experience rating can be set up in final form it is necessary that procedures allowing feasible administration be worked out, that the effect of the plan on contribution rates be determined, and that the pro-

tection of solvency in State unemployment compensation funds be made certain. It is necessary that any proper form of experience rating should actually reflect employers' experience, and it is desirable that inequities between large and small employers and between different industries be kept at a minimum. Cost of administration is an especially important factor, since experience rating provisions tend to be complicated in the extreme.

Factors to be Considered in Making Comparison[1]

The inducement of a contribution rate preferential to an employer who stabilizes his employment to a favorable degree, and the consequent advantage to workers of steadier employment; the possible limits of rate variation between well-stabilized and poorly-stabilized employment; and the formulae by which the differences in stabilization can be measured impartially—all these are component parts of an experience rating study. The contribution rate, adequacy of reserve funds, eligibility conditions for receipt of benefits, benefit amounts, and the length of time during which benefits are payable to an individual must be considered relatedly to avoid improper economic balancing. In short, the effect of any given formula for experience rating depends on a large number of factors in the over-all structure of the law.

Method of Comparison

Experience rating provisions in State unemployment compensation laws exist in such tremendous variety that a comparison is feasible only in the following ways: first, a comparison of the general types of laws; and second, comparison of salient features which exist in all or nearly all types.

Types of Experience Rating Provisions

Until 1939 all experience rating plans called for charging benefits to employers' accounts, although there were many detailed differences. During 1939, however, two additional types of experience rating came into use.

The first type, known as the Cliffe plan, charges the employer with the base period earnings of the worker ("beneficiary wages"), such charges being made to all of the claimant's base period employers. The ratio of total charges with the employer's annual payroll is multiplied by a "State experience factor" to obtain the annual contribution rate. The experience factor is determined by dividing the total amount of benefits during the year by the amount of beneficiary wages charged to all employers. Under this plan the fact of a claimant's unemployment and qualification for

[1]Comparative material correct to October 1, 1940. In the use of this and other comparative material it is important that the entire structure of the State law be taken into consideration when portions of the law are compared. The Commission is indebted to the Social Security Board and the Interstate Conference of Employment Security Agencies for comparative material.

benefits forms the basis for charging beneficiary wages, and the duration of benefits paid is disregarded. Thus an important difference between the Cliffe plan and plans previously used is that individual benefit checks need not be debited one-by-one to the employer account. The rate structure evolved is expected to replenish each year approximately the amount of benefit payments in the previous year.

The second new type is known as the compensable separation plan. This scheme also disregards the duration of benefits. It provides for charging the employer with the weekly benefit amount of each worker separated from him and receiving benefits. The total of such charges is used to set up a "Merit Rating Index" computed by taking the ratio of payroll divided by charges. Employers are then arrayed in a series of categories on the basis of their merit rating indices and rates of contribution corresponding to these categories are so fixed as to produce a constant average rate for the State.

The following outline indicates the number of States using various types of experience rating.

I. Plans Based on Benefits Charged to Employer Accounts
   A. Automatic experience rating for pooled fund laws
      1. Eighteen States use an experience rating system based on the individual employer's account with a further limitation in some instances based on the condition of the fund.
      2. Two States base their rates on the individual employer's benefit ratio modified by a State experience index.
   B. Four States provide automatic experience rating for employer reserve laws and for laws providing a partial pool with employer reserve.
   C. Eight States provide for nonautomatic experience rating. Four of these States do not specify the formula to be used in calculating rates.
   D. Twelve States do not have experience rating at present, but 11 of these have made provision for study of the problem.

II. Cliffe Plan
   A. Six States use the Cliffe plan with variations.

III. Compensable Separations Plan
   A. One State bases its rates on compensable separations.

Variations Comparable With Arizona Law

It appears impracticable to attempt comparison of specific formulae between different types of experience rating since their basic dissimilarity destroys the value of any point-by-point analysis. The following comparison, therefore, includes only the States which charge benefits against employer accounts and which have automatic experience rating with a pooled fund law.

Of the 27 States using automatic systems with pooled fund laws, 18 base the rates on the individual employer's account, using the following formulae:

I. All past contributions minus all past benefits charged, divided by annual payroll averaged over last 3 or 5 years, whichever is higher: 10 States.

II. All past contributions minus all past benefits charged, divided by annual payroll averaged over last 3 years: 3 States.

III. All past contributions in excess of 1 percent minus all past benefits charged, divided by annual payroll averaged over last 3 or 5 years, whichever is higher: 5 States (including Arizona).

PERCENTAGE REQUIRED FOR REDUCED RATES

Among the States using the same formula as Arizona, the following reserve ratio percentages are required for reduced rates:

State	Reserve requirements to obtain given reduced contribution rates			
	0.9%	1%	1.8%	2%
Arizona		10% or over		7.5-10%
New Mexico	10% or over		7.5-10%	
North Dakota		10% or over		7.5-10%
Tennessee	10% or over		7.5-10%	
West Virginia	10% or over		7.5-10%	

Among the States using a formula similar to that of Arizona *except that all contributions are credited to the employer account,* the following reserve ratio percentages are required for reduction:

State	Reserve requirements to obtain given reduced contribution rates						
	0%	0.9%	1%	1.5%	1.8%	2%	2.5%
Arkansas			10% or over			7.5-10%	
California			11% or over	10-11%		9.0-10%	7.5- 9%
Colorado		10% or over			7.5-10%		
Florida			10% or over			7.5-10%	
Hawaii	10% or over	7-10%			4.0- 7%		
Iowa		10% or over			7.5-10%		
Kansas		10% or over			7.5-10%		
Missouri	15% or over	10-15%			7.5-10%		
New Jersey		10% or over			7.5-10%		
Ohio			15% or over	12-15%		10.0-12%	8.0-10%
Oklahoma		10% or over			7.5-10%		
Oregon			12% or over	10-12%		8.0-10%	
South Carolina		10% or over			7.5-10%		

SALIENT FEATURES EXISTING IN ALL TYPES

Certain features of experience rating exist in all or nearly all types of legislation. Some of these salient features are compared under the following headings:

1. Effective date of experience rating
2. Maximum rates
3. Minimum rates
4. Amounts chargeable

EFFECTIVE DATE

Two large groups of State laws provide for the beginning of experience rating in January, 1941 and January, 1942. The following table lists the dates on which the several State experience rating plans become effective.

January 1938 (1 law)	January 1940 (3 laws)	January 1941 (11 laws)	July 1941 (2 laws)	January 1942 (19 laws)	July 1942 (2 laws)	January 1943 (1 law)
Wisconsin	Indiana Nebraska South Dakota	Arizona California Kentucky Minnesota New Hampshire Tennessee Texas Utah Vermont Virginia West Virginia	Connecticut Oregon	Alaska Arkansas Colorado Delaware Florida Iowa Kansas Massachusetts Michigan Missouri Nevada New Jersey New Mexico North Carolina North Dakota Ohio Oklahoma South Carolina Wyoming	District of Columbia Hawaii	Illinois

MAXIMUM RATES

The following table lists the maximum rate for each of 39 States in which a definite experience rating plan is set up:

4 percent (9 laws)	3.7 percent (2 laws)	3.6 percent (13 laws)	3.2 percent (2 laws)	2.7 percent (11 laws)	No Provision (2 laws)
Arkansas Delaware Hawaii District of Columbia Michigan Ohio Oregon Texas Wisconsin	Indiana Kentucky	Arizona Colorado Illinois Iowa Kansas Missouri New Jersey New Mexico Oklahoma South Carolina Tennessee West Virginia Wyoming	Minnesota Utah	California Connecticut Florida Massachusetts Nebraska New Hampshire North Carolina North Dakota South Dakota Vermont Virginia	Alaska Nevada

MINIMUM RATES

The following table lists the minimum rate for each of 39 States in which a definite experience rating plan is set up:

1.7 percent (1 law)	1.5 percent (2 laws)	1 percent (10 laws)	0.9 percent (10 laws)
Utah	Connecticut	Alaska	Colorado
	District of Columbia	Arizona	Iowa
		Arkansas	Kansas
		California	Michigan
		Florida	New Jersey
		Nevada	New Mexico
		North Dakota	Oklahoma
		Ohio	South Carolina
		Oregon	Tennessee
		Wyoming	West Virginia

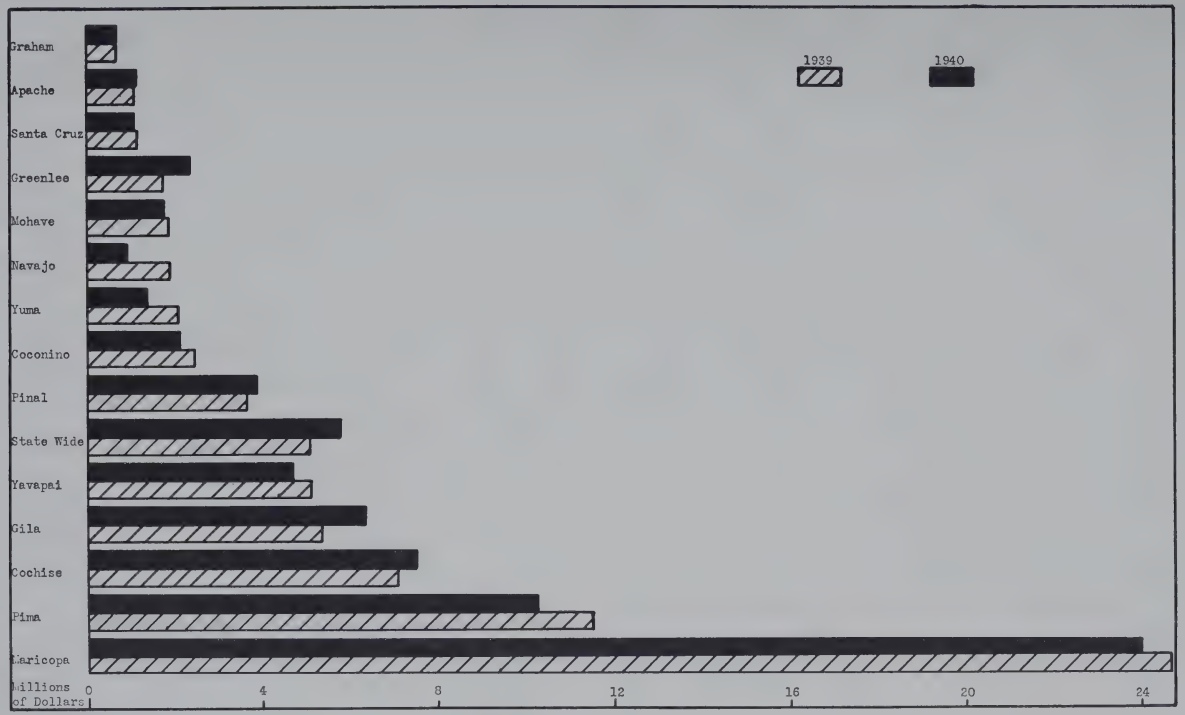
0.7 percent (1 law)	0.675 percent (1 law)	0.54 percent (1 law)	0.5 percent (6 laws)	0.135 percent (1 law)	0 percent (6 laws)
Virginia	North Carolina	Vermont	Delaware	Indiana	Hawaii
			Illinois		Kentucky
			Massachusetts		Missouri
			Minnesota		Nebraska
			New Hampshire		South Dakota
			Texas		Wisconsin

AMOUNTS CHARGEABLE

Nearly all States have established a limit on the amount of benefits chargeable to an individual employer account. Such provisions guard against inequities which might arise if an employer hired an individual for a limited period and then stood in a position to receive a considerable debit against his experience rating account. With minor variations the States fall within the following groups:

I. Employer charged with benefits paid, up to the following maxima: 29 States:
   - A. 1/6 of wages payable to individual during period beginning with the first quarter of an 8-quarter base period, but not more than $65 per calendar quarter or portion thereof: 4 States.
   - B. 1/3 of wages payable to individual during period beginning with the first quarter of a 4-quarter base period, but not more than $130 per calendar quarter or portion thereof: 5 States.
   - C. 1/6 of wages payable to individual by employer during period beginning with the first quarter of a 4-quarter base period, but not more than $65 per calendar quarter or portion thereof: 5 States.
   - D. 1/6 of wages payable to individual by employer during period beginning with 9 completed quarters preceding a benefit year, but not more than $240: 2 States.
   - E. Sixteen percent of wages payable to individual by employer, but not more than $60 per calendar quarter: 3 States.
   - F. All such benefits: 2 States.
   - G. All such benefits, but not more than same proportion of maximum benefits payable, as wages earned from employer in 4-quarter fixed base period bears to wages earned from all employers in base period: 2 States.
   - H. 1/3 of benefits paid during benefit year, charged against last regular employer; remainder against employer from whom individual earned most during base period: 1 State.

CHART 10.—WAGE PAYMENTS: AMOUNTS PAID, BY COUNTIES; SHOWN IN MILLIONS OF DOLLARS, 1939-40.[1]



[1]See Table 19, page 83

I. Same proportion of benefits paid, as wages earned from employer in 4-quarter fixed base period bears to wages earned from all employers in base period: 5 States.

II. Employer charged with wages payable to individual during 4-quarter fixed base period: 6 States.
   A. All such wages: 1 State.
   B. Up to $1,280 a year: 1 State.
   C. Up to $1,170 a year: 1 State.
   D. Up to $1,024 a year: 1 State.
   E. Up to $400 a quarter: 1 State.
   F. Up to $960 a year: 1 State.

III. Not more than one weekly benefit rate for total unemployment per employee per benefit year: 1 State.

IV. Not specified: 15 States.
   A. States with experience rating: 4.
   B. States without experience rating: 11.

TAX BASIS

Similar wage and contribution reports must be made by employers under the Arizona Unemployment Compensation Law and under the Federal Social Security Act. As a method of keeping confusion at a minimum and of reducing as much as possible the burden of reporting, it is the belief of this Commission that taxation requirements of the State and Federal laws should be made as nearly identical as possible. The U. S. Unemployment Tax Act as amended August 10, 1939, brought Federal tax provisions of old age and survivors' insurance and unemployment compensation more closely into conformity but brought about a considerable discrepancy between the State and Federal requirements. It is our belief that ease of administration will be increased and employers will be aided if State and Federal taxes for unemployment compensation are made more nearly the same with respect to the basis of the tax, limitations of the tax, and coverage exemptions.

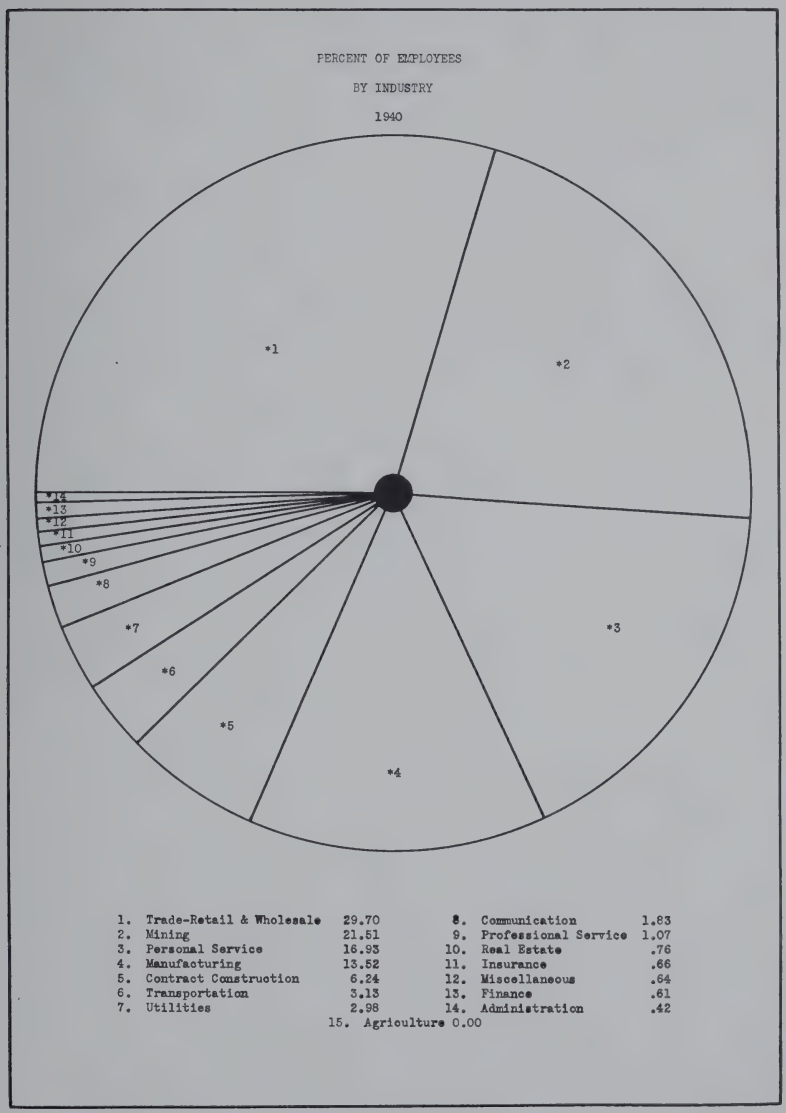
The following changes made in the Federal act are at variance with provisions of the Arizona Unemployment Compensation Law.

1. Beginning with the taxable year 1940 only the first $3,000 of annual wages paid to each employee by an employer were made subject to the Federal unemployment compensation tax. The Arizona law now taxes the full amount paid each employee.

2. The tax base of the Federal unemployment compensation tax was changed from "wages payable" to "wages paid". Under the previous definition wages payable for any given period included wages earned even though not paid, whereas the new definition includes in any taxable period only wages actually paid during the period.

3. The Federal act taxes national banks, state banks which are members of the Federal Reserve System, and certain other Federal and State instrumentalities exempted under the old law. These instrumentalities are now exempted under the Arizona law. Such employers are therefore

CHART 11.—COVERED EMPLOYEES: PERCENTAGES, BY INDUSTRIES; 1940.[1]



1.	Trade-Retail & Wholesale	29.70	8.	Communication	1.83
2.	Mining	21.51	9.	Professional Service	1.07
3.	Personal Service	16.93	10.	Real Estate	.76
4.	Manufacturing	13.52	11.	Insurance	.66
5.	Contract Construction	6.24	12.	Miscellaneous	.64
6.	Transportation	3.13	13.	Finance	.61
7.	Utilities	2.98	14.	Administration	.42

15. Agriculture 0.00

[1]See Table 16, page 80

required to pay the full 3 percent to the Federal Government and their employees do not have unemployment benefit coverage.

4. Exemptions from Federal unemployment compensation taxes now include services performed by certain employees receiving only nominal amounts (less than $45 per quarter); newsboys under the age of 18; students; nurses; and internes. These exemptions are not included in the Arizona law.

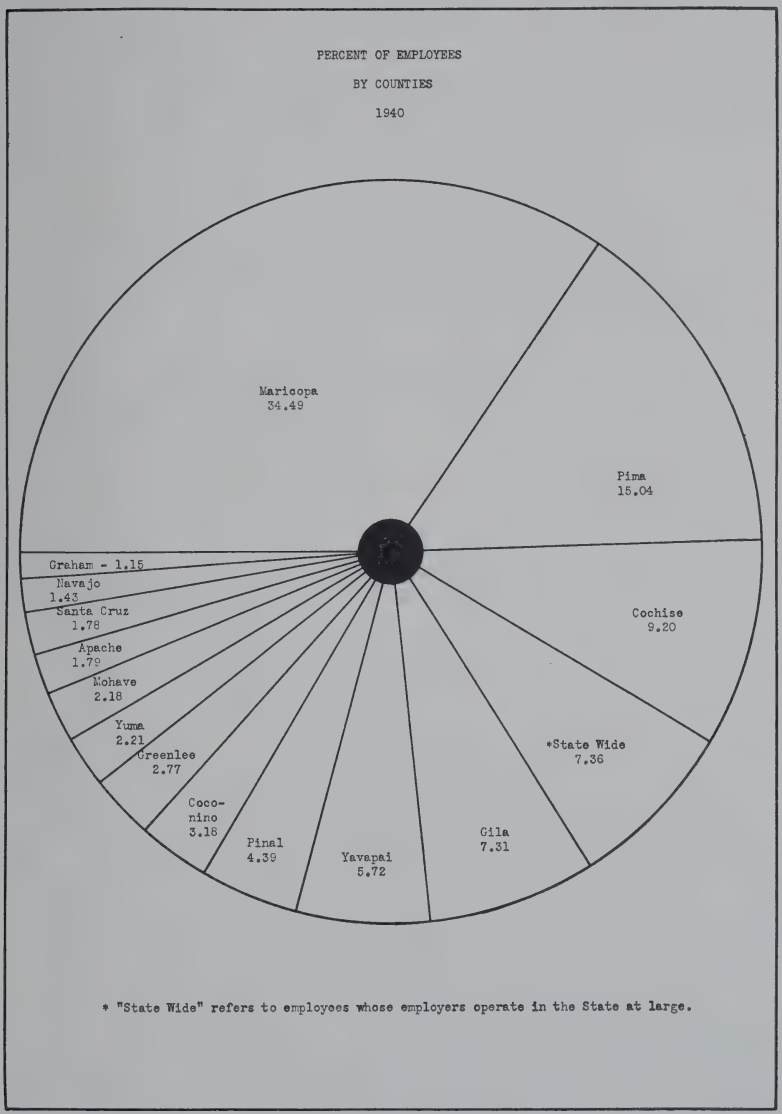
5. The exemption of agricultural labor under the old law was also revised, and provisions of the Arizona law no longer allow parallel interpretation of the State and Federal statutes.

These differences cause confusion among both employers and employees and produce administrative difficulties. Considered as a whole, advantages of close correspondence between the two laws on these points are believed to be about the same for employers and employees.

EMPLOYER COVERAGE

Field operations during the entire year 1940 resulted in the coverage of 762 new employer accounts to increase the total active accounts to 3,940 on December 31, 1940. The figure compares with 3,134 active employer accounts on January 1, 1938; 3,445 on the same date in 1939 and 3,664 on December 31, 1939. Employer contributions totaling $2,077,240.60 were collected during the year.

CHART 12.—COVERED EMPLOYEES: PERCENTAGES BY COUNTIES,1940.[1]



[1]See Table 17, page 81

PROFESSIONAL SERVICES

LEGAL

No major change was made in the administration of the Legal Unit during 1940 except that during the latter portion of the year an assistant attorney was employed to aid in handling the large volume of legal matters in process. Official interpretations were issued by the unit on the following subjects during the year:

Benefits for Commission Salesmen
Coverage, Commercial Packers of Fruits and Vegetables
Sales Tax, Liquor and Other Licenses as Indicative of Ownership
Delinquent Date of Contributions
Refunds
Taxation of Sick Benefits
Sickness, Accident, Medical and Hospitalization Policies
Dismissal Payments Which the Employer is not Legally Required to Make
Retirement, Sickness, Accident, Medical, and Hospitalization Expenses as "Wages"
Coverage
Physicians, etc. as Independent Contractors
Wages in Excess of $3,000 per annum
The Difference Between Military Pay and Former Wages is not Taxable

TRAINING AND INFORMATION

During 1940 the work of the Informational Service was somewhat reorganized to place a greater emphasis on research, editing of procedures and manuals of instruction, graphic presentation of information on procedures and operations of the agency, and preparation of pamphlets and report material. The Annual Report is an example of such material.

Supervision of employee-training within the agency was combined with the work of the Informational Service. In a statement of policy adopted August 22, the Commission specified that the function of the training supervisor, a position filled during 1940 by the informational representative, was to act as co-ordinating officer and aid operating supervisors in the preparation of training material. Responsibility for actual training of employees was delegated to the appropriate section supervisors. In connection with the introduction of the new Dictionary of Occupational Titles and Codes, placed in use by the Employment Service during the year, the training supervisor was called upon to assume joint responsibility with the Employment Service administrative assistant in conducting training conferences for local office personnel in Phoenix and Yuma. Training conferences were also held in Tucson, Bisbee, Globe and Prescott, of which the training supervisor conducted those in the last two cities. In connection

with training for the Dictionary of Occupational Titles and Codes and experience rating training, the Informational Service prepared training materials, including charts and other graphic methods of illustrating material.

During the year the function of furnishing information to the Social Security Board, and to a number of specialized mailing lists including the names of persons who had requested specific information concerning operations of the Commission, was centralized in the Informational Service. The function of distributing material received from the Social Security Board, from other State agencies and from a variety of newspaper and magazine sources was also centralized within the service, and this work involved maintenance of an office library and indexing of all publications received. Regular work of the Informational Service through newspapers, radio, and other channels of reaching the public was extended to place a greater emphasis on Employment Service statistics and information. During the last three months of the year a junior stenographer was assigned to the informational representative on a full-time basis.

STATISTICS

During the past year there have been many changes and additions affecting the form and content of agency statistical reports. In January, 1940, a general revision of reports became effective. Several new reports were started during June and July as a result of the increased demand for labor market information in connection with the National Defense Program. In August a group of special periodic studies was undertaken in connection with experience rating computations.

BASIC REPORTS

The general revision of reports required in the nation-wide statistical reporting program, accomplished in January, 1940, increased the number of basic reports issued by the Statistical Unit from 6 to 12, and at the same time amended the form of these reports for a more detailed breakdown. The Statistical Unit is responsible for the analysis and interpretation of data received from all sections of the agency and maintenance of controls thereon and for issuance of properly checked and edited reports.

SPECIAL REPORTS

As well as showing the rate of progress, these studies produce efficiency and production indices used to measure and estimate personnel and time requirements.

Rapid development of the National Defense Program has called for additional reports, since the Statistical Unit has a vital part in obtaining desired information. Such information includes reports of cancelled and pending openings, civil service placements, selected occupational inventories

of active files, status of the labor market, clearance placements, and referrals and placement of trainees in vocational education courses.

It is the desire and purpose of this unit, in addition to furnishing required reports to the Social Security Board, to conduct studies for the State agency in any of its departments needing special statistics and information for administrative purposes. There has been much interest shown in local county studies regarding employment and unemployment, industrial trends, and the labor market.

Since Arizona has comparatively small coverage, however, budgetary limitations have resulted in staffing the unit at a level which does not permit much activity outside the regular routine of meeting Federal reporting requirements. This problem has resulted in a limited number of local studies.

Charts and tables shown throughout this Annual Report and particularly on following pages, reflect operations and activities of the unit.

STATISTICAL APPENDIX

STATISTICAL APPENDIX

For purposes of this report, the statistical picture has been greatly condensed and summarized. Detailed and itemized analyses are maintained currently on all functions of the agency, but to include them would lengthen the report to a prohibitive extent. The following section includes only the highlights, summarized to give an overall picture of the agency's activities.

This statistical summary is in three divisions: (1) Employment Service activities; (2) benefit statistics; and (3) coverage and wage payments.

EMPLOYMENT SERVICE ACTIVITIES

Included with benefit statistics are tables of initial and continued claims received by local offices. These were compiled from local office records and are a part of Employment Service activities. Four tables are used to show active file, new applications, and placements in different categories. Corresponding charts, on pages 9 and 26, picture this information in graphic form.

BENEFIT STATISTICS

The claim load shows a high for January and February 1940, with July reflecting a sharp increase. Benefit payments for 1940 fell far below 1939 with a high for January and February and a sharp increase for August. The increase in August payments resulted from the July increase in unemployment, and the seasonal slump following the holiday season resulted in increased benefit payments during January and February. Mining, contract construction, trade, and personal service lead the industries for benefit payments made during 1940. Totals and percentages, with descriptive and comparative charts reflect the complete picture. Included are tables showing initial and continued claims received by local offices, benefit payments broken down according to county and industry, and an analysis of central office benefit activities.

COVERAGE AND WAGE PAYMENTS

The yearly statistical report of coverage and wage payments picks up the fourth quarter of the preceding year and includes the third quarter of the year reported. This artificial "statistical year" is necessary for purposes of comparison, since employer reports for the fourth quarter of 1940 are not due until nearly a month after the Annual Report is required to go to press. Four tables are shown for this division: covered employees by county and industry (Tables 16 and 17) and wage payments broken down according to county and industry (Tables 18 and 19).

For each table there is included in the report a corresponding descriptive and comparative chart. Statistics for wage payments and covered employees are recorded from employer contribution reports, compiled on the 15th day of the month following the due date of contributions. These tables and charts are arranged so as to eliminate lengthy interpretations. It is noteworthy that 34.4 percent of the covered employees of the State were reported from Maricopa County, while Pima County was next with 15 percent of the State total. Trade, including retail and wholesale, employed almost 30 percent of the employees, with mining second at 21.5 percent.

Covered employment and wage payments show a high for December and a low for July. General economic conditions for the State, as reflected by these statistics, show a peak in the fourth quarter and a low point in the third quarter.

Comparing reported wage payments received during 1940 with those reported for 1939, there is reflected a remarkable increase for 1940 in all leading industries with the exception of contract construction and transportation. It is well to note that the decrease noted in transportation is due to the fact that the accounts covered by the Railroad Unemployment Insurance Act are no longer covered by this agency. Thus the sharp reduction is not due to economic conditions. As a result of deleting railroad coverage, many counties reflect decreases in wage payments reported for 1940. In spite of this fact, many counties show increases for 1940.

A study compiled by the experience rating unit to illustrate the operation of experience rating under various types of employer experience has been included with the statistical story of contributions.

TABLE 3.—EMPLOYMENT SERVICE: TOTAL PLACEMENTS INCLUDING ALL STANDARD (BUT NOT SUPPLEMENTARY) PLACEMENTS; BY LOCAL OFFICES AND BY MONTHS, 1940.

Local Office	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
TOTAL	3,251	2,299	3,297	2,711	3,055	2,657	2,095	1,712	2,625	2,590	2,409	2,250	30,951
Bisbee	338	340	372	453	481	413	388	284	283	327	437	513	4,629
Casa Grande	111	43	12	23	66	75	20	48	317	132	179	167	1,193
Flagstaff	54	48	120	191	205	159	71	139	152	130	149	130	1,548
Globe	56	71	90	98	109	86	158	96	106	114	84	71	1,139
Kingman	56	51	73	97	84	51	46	48	51	73	46	41	717
Nogales	28	34	36	34	70	19	15	15	28	34	29	32	374
Phoenix	1,959	1,155	2,053	808	1,146	937	580	508	1,045	1,096	759	561	12,607
Prescott	66	116	97	121	96	133	135	111	71	98	124	75	1,243
Safford	51	43	56	48	47	52	69	32	96	66	89	87	736
Tucson	441	287	253	630	616	551	508	280	385	330	380	447	5,108
Winslow	43	40	89	167	66	155	75	85	28	97	75	87	1,007
Yuma	48	71	46	41	69	26	30	66	63	93	58	39	650

TABLE 4.—EMPLOYMENT SERVICE: PLACEMENTS IN PRIVATE INDUSTRY; BY LOCAL OFFICES AND BY MONTHS, 1940.

Local Office	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
TOTAL	2,799	1,861	3,008	2,389	2,673	2,350	1,826	1,325	2,314	2,189	1,953	2,007	26,694
Bisbee	261	290	314	420	437	385	364	247	257	244	247	464	3,930
Casa Grande	75	6	12	14	63	59	14	47	312	128	179	167	1,076
Flagstaff	35	44	113	159	77	82	31	38	40	46	55	107	827
Globe	43	41	72	66	69	65	135	89	102	108	60	64	914
Kingman	55	49	73	89	81	51	46	48	51	50	42	41	676
Nogales	28	34	19	27	56	15	13	13	23	34	25	25	312
Phoenix	1,863	1,045	2,017	760	1,109	927	540	462	1,034	1,072	742	532	12,103
Prescott	33	21	61	86	62	119	95	93	50	80	114	61	875
Safford	17	15	16	10	31	27	30	27	73	45	40	37	368
Tucson	352	275	236	619	604	537	483	190	344	285	346	426	4,697
Winslow	7	20	44	114	52	57	48	44	13	43	55	49	546
Yuma	30	21	31	25	32	26	27	27	15	54	48	34	370

TABLE 5.—EMPLOYMENT SERVICE: SUPPLEMENTARY PLACEMENTS;[1] BY LOCAL OFFICES AND BY MONTHS, 1940.

Office	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
TOTAL	5,034	898	2,734	2,066	1,497	1,320	2,889	908	3,253	6,455	8,003	11,384	46,441
Phoenix	4,741	681	2,522	1,902	975	739	2,610	619	2,062	5,240	4,955	8,816	35,862
Tucson	16	14	11	21	219	161	51	2	83	104	106	50	838
Globe	31	18	28	32	38	31	56	33	40	47	31	35	420
Bisbee	24	68	65	42	94	127	0	69	0	28	284	16	817
Yuma	57	43	79	46	66	88	90	43	134	152	314	742	1,854
Flagstaff	0	0	0	0	0	31	0	0	0	0	0	0	31
Prescott	18	52	19	8	14	12	56	35	18	18	29	25	304
Kingman	1	0	1	0	0	0	0	0	0	0	0	0	2
Winslow	0	0	0	2	0	29	1	5	0	0	0	0	37
Casa Grande	101	0	0	0	54	77	0	60	745	394	1,847	1,365	4,643
Safford	12	16	4	4	18	18	22	35	161	463	426	317	1,496
Nogales	33	6	5	9	19	7	3	7	10	9	11	18	137

[1]Mainly agricultural placements which do not meet all statistical reporting tests of "standard" placements

TABLE 6.—EMPLOYMENT SERVICE: OCCUPATIONAL DISTRIBUTION OF PLACEMENTS; BY MONTHS, 1940.

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
TOTAL	3,251	2,299	3,297	2,711	3,055	2,657	2,095	1,712	2,625	2,590	2,409	2,250	30,951
Professional and Managerial	20	13	12	167	361	332	261	8	10	30	46	11	1,271
Clerical & Sales	174	135	184	149	134	122	122	75	95	147	155	195	1,687
Service	935	882	999	1,066	1,053	894	881	749	939	944	940	958	11,240
Skilled	95	43	54	105	96	77	112	144	72	72	161	85	1,116
Semi-Skilled	116	59	117	134	137	179	139	90	90	101	91	90	1,343
Unskilled	1,909	1,167	1,931	1,090	1,274	1,053	572	638	1,419	1,296	1,016	911	14,276
Unassigned	2	0	0	0	0	0	8	8	0	0	0	0	18

TABLE 7.—EMPLOYMENT SERVICE: AGE DISTRIBUTION OF PERSONS PLACED; BY MONTHS, 1940.

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
TOTAL	3,251	2,299	3,297	2,711	3,055	2,657	2,095	1,712	2,625	2,590	2,409	2,250	30,951
Under 16	64	53	67	66	75	108	104	50	81	114	25	3	810
16-17	57	53	80	50	88	91	56	38	71	64	64	65	777
18-19	269	203	265	199	214	173	226	196	194	189	193	200	2,521
20	152	116	132	122	140	94	125	85	112	93	95	104	1,370
21-24	509	396	502	410	420	361	263	247	362	328	358	356	4,512
25-29	508	389	541	454	528	447	333	279	424	438	424	366	5,131
30-34	445	307	452	364	408	394	298	223	394	352	310	297	4,244
35-39	389	259	385	307	345	255	200	168	302	299	232	275	3,416
40-44	300	199	304	250	242	226	159	127	211	232	236	199	2,685
45-49	218	150	228	201	219	172	128	138	208	218	196	185	2,261
50-54	157	93	159	144	171	144	99	82	116	135	137	109	1,546
55-59	93	44	119	101	105	106	58	54	90	60	78	52	960
60-64	62	28	39	27	52	47	21	18	38	49	42	26	449
65 and over	28	9	24	15	48	39	25	7	22	19	19	12	267
Unspecified	0	0	0	1	0	0	0	0	0	0	0	1	2

TABLE 8.—EMPLOYMENT SERVICE: INDUSTRIAL DISTRIBUTION OF PLACEMENTS; BY MONTHS, 1940.

	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
TOTAL	3,251	2,299	3,297	2,711	3,055	2,657	2,095	1,712	2,625	2,590	2,409	2,250	30,951
Agriculture	1,471	630	1,570	230	673	663	230	244	1,009	788	437	227	8,172
Mining	69	55	52	63	59	37	88	103	89	117	81	78	891
Construction	199	279	217	377	364	282	239	239	265	297	311	491	3,560
Manufacturing	14	20	68	125	40	39	91	67	16	32	20	20	552
Transportation and Communication	123	47	56	135	151	41	25	23	26	28	36	17	708
Wholesale and Retail Trade	129	96	129	142	128	155	97	48	102	129	137	174	1,466
Finance, Insurance and Real Estate	10	6	9	13	9	12	14	16	11	12	8	9	129
Service	376	436	488	870	901	723	645	319	266	354	442	374	6,194
Domestic	545	35	592	629	615	589	515	444	681	652	628	676	6,601
Government	315	695	116	127	115	116	151	209	160	181	309	184	2,678

TABLE 9.—EMPLOYMENT SERVICE: ACTIVE FILE OF APPLICATIONS FOR EMPLOYMENT; BY LOCAL OFFICES AND BY MONTHS, 1940.

Office	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
TOTAL	25,240	25,422	24,003	27,205	25,826	26,064	22,989	19,689	18,871	18,994	17,827	17,600
Phoenix	10,833	10,877	9,780	12,456	11,256	10,945	10,539	8,870	9,181	9,222	8,260	7,721
Tucson	2,532	2,253	3,284	2,983	3,157	3,151	2,559	2,530	1,654	2,182	2,497	2,533
Globe	1,920	1,694	1,884	2,034	2,002	1,919	1,605	1,386	1,282	1,255	1,102	977
Bisbee	1,777	1,473	1,383	1,664	1,507	1,491	1,434	1,125	1,402	1,306	1,381	1,382
Yuma	799	792	546	698	648	804	609	530	432	506	551	614
Flagstaff	574	678	585	572	577	649	754	435	435	495	496	575
Prescott	2,096	2,154	1,554	1,676	1,800	1,981	1,466	1,596	1,580	1,236	1,170	1,059
Kingman	788	557	493	500	581	574	565	458	506	534	540	563
Winslow	770	981	1,071	1,151	956	1,047	889	679	739	812	476	624
Casa Grande	1,924	2,636	2,133	1,996	2,020	2,046	1,384	1,147	602	427	490	593
Safford	680	838	789	946	723	863	571	464	611	586	467	528
Nogales	547	489	501	529	599	594	614	469	447	433	397	431

TABLE 10.—EMPLOYMENT SERVICE: NEW APPLICATIONS FOR EMPLOYMENT; BY LOCAL OFFICES AND BY MONTHS, 1940.

Office	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
TOTAL	4,975	4,004	3,627	2,492	2,347	2,615	2,162	1,965	2,322	2,546	2,213	2,241
Phoenix	2,689	2,211	2,109	1,129	1,080	1,097	901	897	1,274	1,381	856	989
Tucson	409	304	319	373	329	478	419	317	272	366	345	367
Globe	136	89	83	118	72	137	97	85	94	83	76	71
Bisbee	172	140	135	153	121	190	147	114	109	156	272	263
Yuma	138	68	86	59	91	68	41	62	61	89	58	88
Flagstaff	77	63	46	93	117	81	69	42	29	55	64	48
Prescott	123	178	100	103	109	169	146	102	74	90	82	66
Kingman	58	78	76	55	73	79	56	55	56	71	30	44
Winslow	123	71	66	34	48	64	67	60	46	68	97	54
Casa Grande	915	695	478	261	170	139	113	151	219	119	217	167
Safford	97	79	105	83	75	86	73	58	63	45	88	70
Nogales	38	28	24	31	62	27	33	22	25	23	28	14

TABLE 11.—EMPLOYMENT SERVICE: INITIAL CLAIMS FOR BENEFITS; NUMBER ACCEPTED BY LOCAL OFFICES, BY MONTHS, 1940.

Local Office	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
TOTAL	4,125	2,955	2,757	3,271	2,587	2,487	2,848	2,214	2,299	2,503	2,192	2,202	32,440
Bisbee	190	133	113	141	132	133	142	88	151	156	125	122	1,626
Casa Grande	92	165	77	90	60	69	68	68	49	77	64	62	941
Flagstaff	331	201	124	213	129	97	136	96	82	103	158	223	1,893
Globe	155	83	108	146	94	167	150	87	102	105	99	95	1,391
Kingman	111	110	99	65	83	98	91	72	68	112	63	82	1,054
Nogales	43	17	25	35	86	34	58	43	33	31	33	11	449
Phoenix	1,999	1,423	1,403	1,611	1,136	1,119	1,151	1,027	1,129	1,146	946	950	15,040
Prescott	194	119	78	139	147	130	166	89	120	107	86	91	1,466
Safford	74	83	63	81	65	76	90	62	61	67	43	62	827
Tucson	602	427	490	498	485	424	583	414	380	457	388	355	5,503
Winslow	163	88	77	89	53	49	53	84	43	61	114	67	941
Yuma	171	106	100	163	117	91	160	84	81	81	73	82	1,309

TABLE 12.—EMPLOYMENT SERVICE: CONTINUED CLAIMS FOR BENEFITS; NUMBER ACCEPTED BY LOCAL OFFICES, BY MONTHS, 1940.

Local Office	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Total
TOTAL	18,962	18,032	15,892	15,604	15,510	12,784	15,354	14,242	12,002	12,884	11,668	12,441	175,375
Bisbee	936	928	855	935	822	701	875	694	622	727	594	630	9,319
Casa Grande	554	535	550	650	584	360	363	299	307	344	362	415	5,323
Flagstaff	999	1,004	873	881	598	394	434	376	322	349	346	642	7,218
Globe	972	916	801	875	803	761	949	680	672	677	619	565	9,290
Kingman	623	576	543	532	417	413	489	364	342	384	330	384	5,397
Nogales	245	232	195	222	310	421	485	441	345	227	170	174	3,467
Phoenix	9,053	8,641	7,622	6,957	7,512	5,729	6,834	6,577	5,454	6,050	5,502	5,838	81,789
Prescott	959	941	644	642	646	610	739	675	508	515	444	400	7,723
Safford	581	455	402	411	440	284	352	317	317	361	251	323	4,494
Tucson	2,632	2,411	2,281	2,242	2,133	2,141	2,817	2,877	2,287	2,505	2,251	2,046	28,623
Winslow	640	667	585	595	495	333	311	348	367	345	397	601	5,684
Yuma	768	726	541	662	750	637	706	594	459	400	402	423	7,068

TABLE 13.—CENTRAL OFFICE BENEFIT ACTIVITIES: ANALYSIS OF CLAIMS RECEIVED, ALLOWED AND DISALLOWED; ACCOUNTS OPENED AND CLOSED; CHECKS ISSUED, AMOUNT AND AVERAGE; BY MONTHS, 1940.

Date	Claims Received				Accounts		Checks Issued		
	Initial	Allowed	Disallowed	Continued	First Payments	Zero Balance	Number	Amount	Average
TOTAL	25,899	22,083	3,719	166,267	13,094	10,405	122,903	$1,321,417.21	10.75
January	3,145	2,662	398	16,627	1,235	1,069	11,730	$ 129,784.93	11.06
February	2,110	1,736	326	16,000	1,308	1,160	11,996	128,017.26	10.67
March	2,015	1,784	305	15,797	1,139	992	11,353	122,782.63	10.81
April	2,333	1,932	333	14,230	1,081	1,016	10,559	114,186.37	10.81
May	2,246	1,975	300	13,934	1,053	878	10,182	108,951.92	10.70
June	2,213	1,814	322	12,759	1,125	1,031	9,486	100,890.67	10.63
July	2,472	2,212	338	14,636	1,237	788	10,599	114,011.36	10.75
August	2,072	1,757	315	15,097	1,188	915	11,629	124,795.48	10.73
September	1,813	1,592	221	12,151	862	738	9,456	101,982.32	10.78
October	2,094	1,857	237	12,710	1,101	588	9,266	98,896.28	10.67
November	1,673	1,343	330	11,228	808	662	8,474	90,467.65	10.68
December	1,713	1,419	294	11,098	957	568	8,173	86,650.34	10.60

TABLE 14.—BENEFIT PAYMENTS: AMOUNT BY COUNTIES AND BY MONTHS, 1940.

County	January	February	March	April	May	June
TOTAL	$129,784.93	$128,017.26	$122,782.63	$114,186.37	$108,951.92	$100,890.67
Maricopa	45,439.18	43,421.61	39,805.85	37,803.69	37,843.53	33,824.21
Pima	12,376.62	12,839.05	14,223.01	12,753.97	12,340.77	12,784.65
Cochise	4,788.67	5,827.35	5,910.62	5,548.31	4,657.69	4,284.35
Gila	4,345.48	4,686.44	3,634.44	3,914.32	3,840.41	2,729.03
Yavapai	6,224.41	7,280.02	5,182.41	4,393.10	4,453.55	4,753.45
Pinal	3,011.80	2,510.47	2,296.96	2,711.19	3,278.32	2,969.94
Navajo	2,189.76	3,581.74	2,824.20	2,567.18	1,967.64	1,181.05
Yuma	2,653.62	3,120.31	2,010.68	2,620.72	4,238.17	4,206.00
Apache	535.30	1,024.18	979.11	859.26	820.05	606.17
Coconino	5,117.67	7,127.79	6,947.10	6,120.03	4,159.81	2,355.27
Graham	1,259.03	988.60	977.07	1,112.34	1,470.26	1,064.60
Greenlee	2,794.92	2,147.22	2,315.92	1,442.26	1,317.14	904.78
Santa Cruz	1,398.11	1,497.57	1,314.29	1,372.44	1,850.76	3,308.41
Mohave	4,999.36	4,261.40	4,490.19	4,273.48	3,180.63	2,922.84
Multi-State[1]	32,651.00	27,703.51	29,870.78	26,694.08	23,533.19	22,995.92

[1] "Multi-State" benefit payments represent benefits paid to Arizona workers who filed claims and qualified for benefits in another State, drawing against wage-credits built up in Arizona.

TABLE 14.—BENEFIT PAYMENTS: AMOUNT BY COUNTIES AND BY MONTHS, 1940 (*Continued*)

July	August	September	October	November	December	Total
$114,011.36	$124,795.48	$101,982.32	$98,896.28	$90,467.65	$86,650.34	$1,321,417.21
35,318.71	36,885.05	30,710.29	30,708.39	27,388.30	24,756.26	423,905.07
15,545.64	18,673.60	14,114.36	13,631.29	12,607.82	9,665.64	161,556.42
4,855.34	4,722.61	4,088.62	4,052.36	3,515.18	3,227.44	55,478.54
3,787.56	4,048.55	3,602.73	3,490.83	3,391.67	2,467.83	43,939.29
5,190.96	5,769.91	4,132.27	4,453.64	3,726.67	3,850.64	59,411.03
4,192.85	4,736.94	3,359.68	1,835.95	2,078.26	2,430.24	35,412.60
1,328.67	1,484.33	1,568.09	1,646.65	1,057.02	3,038.48	24,434.81
4,744.94	4,929.53	3,183.02	2,298.54	2,014.40	2,110.57	38,130.50
337.65	483.46	778.14	614.11	393.33	570.65	8,001.41
2,411.47	2,234.48	2,033.88	1,787.67	1,936.16	2,908.24	45,139.57
1,116.19	1,121.79	950.72	1,116.13	793.36	579.21	12,549.30
575.14	834.79	862.82	921.31	1,072.39	1,068.93	16,257.62
4,078.98	4,606.83	2,723.38	1,559.85	1,115.79	869.96	25,696.37
3,645.72	3,622.33	2,365.78	2,437.12	2,690.31	3,432.05	42,321.21
26,881.54	30,641.28	27,508.54	28,342.44	26,686.99	25,674.20	329,183.47

TABLE 15.—BENEFIT PAYMENTS: AMOUNT BY INDUSTRIES AND BY MONTHS, 1940.

Industry	January	February	March	April	May	June
TOTAL	$129,784.93	$128,017.26	$122,782.63	$114,186.37	$108,951.92	$100,890.67
Mining	28,753.07	27,423.05	30,564.81	30,609.83	28,500.10	28,079.58
Contract Construction	33,309.83	32,066.09	29,812.57	25,350.76	21,621.89	18,221.56
Manufacturing	13,984.45	12,588.44	10,932.84	9,627.27	9,243.65	8,934.05
Transportation[1]	3,519.45	3,694.62	3,365.29	3,687.99	3,955.44	4,705.12
Communication	973.08	596.66	549.21	678.31	805.94	725.09
Utilities	2,648.70	3,045.42	2,679.20	2,502.24	1,827.40	1,675.08
Trade—Wholesale Retail	24,651.44	26,701.68	23,721.78	21,959.87	21,910.05	19,036.76
Finance	449.75	545.46	366.29	380.92	545.25	438.24
Insurance	362.75	265.13	193.75	367.50	381.50	336.04
Real Estate	257.31	266.87	383.17	428.50	430.75	317.32
Administration	125.13	205.92	80.35	202.56	111.00	157.50
Personal Service	19,023.07	17,811.32	17,638.25	15,886.48	17,282.53	16,369.52
Professional Service	1,192.26	1,236.22	977.36	1,041.75	987.65	931.90
Miscellaneous	534.64	1,570.38	1,517.76	1,462.39	1,348.77	962.91

[1]Railroad employment is no longer covered by the Arizona Unemployment Compensation Law, and is not reflected in these statistics.

TABLE 15.—BENEFIT PAYMENTS: AMOUNT BY INDUSTRIES AND BY MONTHS, 1940 (*Continued*)

July	August	September	October	November	December	Total
$114,011.36	$124,795.48	$101,982.32	$98,896.28	$90,467.65	$86,650.34	$1,321,417.21
31,009.82	32,102.47	24,776.59	23,517.20	22,090.30	21,244.48	328,671.30
20,064.23	20,310.97	15,853.80	13,472.65	11,885.57	11,626.70	253,596.62
9,591.21	11,874.51	10,566.45	10,575.07	8,693.86	9,691.21	126,303.01
5,911.16	6,266.87	6,178.32	3,224.25	2,328.65	2,069.71	48,906.87
604.10	809.93	817.00	910.83	1,186.95	960.89	9,617.99
2,473.57	2,485.35	2,388.83	2,390.14	2,187.28	1,832.22	28,135.43
22,307.78	25,492.97	21,011.08	22,652.19	19,902.72	17,446.11	266,794.43
578.87	489.75	291.98	387.25	182.73	217.25	4,873.74
310.41	169.00	242.07	233.50	171.51	145.52	3,178.68
376.25	548.48	361.82	368.26	261.25	264.50	4,264.48
138.50	118.50	128.00	121.00	137.81	78.50	1,604.77
18,822.58	22,211.67	17,627.50	19,574.22	19,766.32	18,109.04	220,122.50
731.58	903.56	1,078.17	1,036.55	1,203.10	1,017.98	12,338.08
1,091.30	1,011.45	660.71	433.17	469.60	1,946.23	13,009.31

TABLE 16.—COVERAGE: NUMBER OF EMPLOYEES IN COVERED EMPLOYMENT; BY INDUSTRIES AND BY MONTHS; 12 MONTHS ENDING SEPTEMBER, 1940.[1]

County	1939 Oct.	1939 Nov.	1939 Dec.	1940 Jan.	1940 Feb.	1940 Mar.	1940 April	1940 May	1940 June	1940 July	1940 Aug.	1940 Sept.	%
TOTAL	57,430	58,583	60,438	56,892	56,903	57,848	55,683	55,546	54,694	53,466	53,527	54,102	100.00
Agriculture[2]	0	0	0	0	0	0	1	1	1	1	1	1	0
Mining	12,079	12,276	12,129	12,188	12,102	12,065	11,945	12,001	11,872	11,862	12,245	12,450	21.51
Contract Constr.	4,303	4,345	4,164	3,810	3,658	3,434	3,072	3,045	3,035	3,026	3,219	3,004	6.24
Manufacturing	7,897	7,943	8,403	7,736	7,677	7,814	7,569	7,629	7,813	7,025	6,826	6,918	13.52
Transportation[3]	1,811	1,874	1,822	1,741	1,758	1,743	1,572	1,624	1,600	1,844	1,814	1,957	3.13
Communication	952	998	1,048	1,016	1,014	1,048	1,031	1,023	1,041	1,053	1,085	1,068	1.83
Utilities	1,699	1,606	1,610	1,577	1,565	1,649	1,744	1,823	1,739	1,809	1,743	1,563	2.98
Trade—Wholesale & Retail	16,767	17,342	18,780	16,730	16,774	17,463	16,678	16,447	16,432	15,655	15,567	15,843	29.70
Finance	341	337	343	343	343	347	335	343	349	346	355	353	.61
Insurance	377	371	370	386	363	373	367	366	367	381	362	358	.66
Real Estate	424	396	420	401	402	403	431	454	483	454	445	444	.76
Administration	227	253	265	259	283	269	228	201	207	214	208	198	.42
Personal Service	9,465	9,751	9,984	9,717	10,005	10,191	9,773	9,678	8,932	8,959	8,817	9,021	16.93
Professional Service	656	652	652	652	630	645	630	597	523	499	502	562	1.07
Miscellaneous	432	439	448	336	329	404	307	314	300	338	338	362	.64

[1]Fourth quarter of 1939 included in order to show totals for a year's coverage. Reports for fourth quarter of 1940 not due from employers until after the Annual Report is required to go to press.

[2]Agricultural employment is not covered by the Arizona Unemployment Compensation Law. Figures shown in this category represent voluntary coverage.

[3]Railroad employment is no longer covered by the Arizona Unemployment Compensation Law, and is not reflected in these statistics.

TABLE 17.—COVERAGE: NUMBER OF EMPLOYEES IN COVERED EMPLOYMENT; BY COUNTIES AND BY MONTHS; 12 MONTHS ENDING SEPTEMBER, 1940.[1]

County	1939			1940									%
	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	
TOTAL	57,430	58,583	60,438	56,892	56,903	57,848	55,683	55,546	54,694	53,466	53,527	54,102	100.00
Maricopa	20,206	20,940	22,213	20,012	20,028	20,629	18,935	18,415	18,145	17,728	17,771	17,821	34.49
Pima	8,644	8,718	9,095	8,995	8,893	8,924	8,262	8,134	8,007	7,786	7,881	8,231	15.04
Cochise	5,007	5,108	5,275	5,066	5,067	5,148	5,113	5,244	5,326	5,247	5,221	5,348	9.20
Gila	4,091	4,121	4,142	4,073	4,028	4,047	4,091	4,140	4,208	4,090	4,135	4,187	7.31
Yavapai	3,169	3,135	3,224	3,100	3,151	3,182	3,182	3,112	3,245	3,358	3,385	3,343	5.72
Pinal	2,378	2,412	2,422	2,446	2,454	2,518	2,472	2,488	2,459	2,525	2,521	2,527	4.39
Navajo	874	870	843	731	748	813	703	727	777	874	878	844	1.43
Yuma	1,315	1,289	1,443	1,237	1,414	1,410	1,138	1,113	1,128	1,134	1,136	1,153	2.21
Apache	1,014	1,020	961	922	897	811	1,030	1,118	1,042	1,160	1,061	1,047	1.79
Coconino	1,851	1,817	1,732	1,493	1,390	1,570	1,626	1,794	1,988	2,164	2,096	1,918	3.18
Graham	700	692	735	696	674	637	566	585	605	599	592	655	1.15
Greenlee	1,525	1,585	1,473	1,493	1,486	1,466	1,546	1,564	1,586	1,479	1,701	1,769	2.77
Santa Cruz	1,102	1,108	1,159	1,093	1,111	1,162	1,141	1,068	807	745	776	781	1.78
Mohave	1,308	1,313	1,347	1,298	1,295	1,230	1,147	1,148	1,119	1,205	1,185	1,136	2.18
State Wide	4,246	4,455	4,374	4,237	4,267	4,301	4,731	4,896	4,252	3,372	3,188	3,342	7.36

[1]Fourth quarter of 1939 included in order to show totals for a year's coverage. Reports for fourth quarter of 1940 not due from employers until after the Annual Report is required to go to press.

TABLE 18.—WAGE PAYMENTS: WAGES REPORTED BY COVERED EMPLOYERS; BY INDUSTRIES AND BY QUARTERS; 4 CALENDAR QUARTERS ENDING SEPTEMBER, 1940.[1]

Industry	4th Quarter 1939	1st Quarter 1940	2nd Quarter 1940	3rd Quarter 1940	Total	Percent
TOTAL	$19,994,818.97	$18,660,634.22	$18,298,713.60	$16,694,676.77	$73,648,843.56	100.00
Agriculture[2]	0	0	270.00	270.00	540.00	0
Mining	5,417,919.54	5,080,095.06	5,125,035.74	4,615,355.14	20,238,405.48	27.48
Contract Construction	1,346,747.54	1,298,467.70	1,010,622.33	957,818.20	4,613,655.77	6.26
Manufacturing	2,756,716.46	2,475,861.93	2,486,803.18	2,206,773.42	9,926,154.99	13.48
Transportation[3]	569,198.32	540,202.42	497,657.84	545,653.98	2,152,712.56	2.92
Communication	331,571.75	337,100.24	340,374.02	351,454.40	1,360,500.41	1.85
Utilities	628,148.48	604,810.05	687,765.36	628,070.87	2,548,794.76	3.46
Trade (Whol. & Retail)	5,628,540.96	5,106,992.97	5,062,693.61	4,690,351.51	20,488,579.05	27.82
Finance	180,301.72	154,584.12	154,686.04	126,330.05	615,901.93	.84
Insurance	176,937.60	168,690.70	166,498.73	145,688.82	657,815.85	.89
Real Estate	154,700.69	126,620.39	146,764.28	127,997.68	556,083.04	.76
Administration	133,811.23	149,617.04	123,623.59	74,993.67	482,045.53	.65
Personal Service	2,316,940.03	2,309,654.19	2,204,770.35	1,970,993.64	8,802,358.21	11.95
Professional Service	243,571.24	232,266.66	209,372.04	159,257.60	844,467.54	1.15
Miscellaneous	109,713.41	75,670.75	81,776.49	93,667.79	360,828.44	.49

[1]Fourth quarter of 1939 included in order to show totals for a year's coverage. Reports for fourth quarter of 1940 not due from employers until after the Annual Report is required to go to press.

[2]Agricultural employment is not covered by the Arizona Unemployment Compensation Law. Figures shown in this category represent voluntary coverage.

[3]Railroad employment is no longer covered by the Arizona Unemployment Compensation Law, and is not reflected in these statistics.

TABLE 19.—WAGE PAYMENTS: WAGES REPORTED BY COVERED EMPLOYERS; BY COUNTIES AND BY QUARTERS; 4 CALENDAR QUARTERS ENDING SEPTEMBER, 1940.[1]

Industry	4th Quarter 1939	1st Quarter 1940	2nd Quarter 1940	3rd Quarter 1940	Total	Percent
TOTAL	$19,994,818.97	$18,660,634.22	$18,298,713.60	$16,694,676.77	$73,648,843.56	100.00
Maricopa	6,764,267.52	6,204,957.46	5,741,575.27	5,283,921.81	23,994,722.06	32.58
Pima	2,860,105.91	2,623,331.71	2,473,021.51	2,293,018.61	10,249,477.74	13.92
Cochise	1,990,648.73	1,872,318.70	1,929,083.40	1,735,258.28	7,527,309.11	10.22
Gila	1,644,193.00	1,623,951.32	1,600,734.48	1,500,538.08	6,369,416.88	8.65
Yavapai	1,219,282.39	1,115,864.61	1,185,973.77	1,137,204.85	4,658,325.62	6.33
Pinal	976,753.64	970,632.91	981,343.14	906,831.29	3,835,560.98	5.21
Navajo	249,160.52	207,141.02	223,444.33	242,187.19	921,933.06	1.25
Yuma	381,362.78	392,399.21	310,533.74	302,150.01	1,386,445.74	1.88
Apache	266,880.01	231,981.99	334,184.91	276,988.85	1,110,035.76	1.51
Coconino	555,558.03	411,710.09	524,552.05	610,517.64	2,102,337.81	2.85
Graham	184,932.61	152,584.44	141,921.94	157,416.06	636,855.05	.86
Greenlee	607,281.84	536,859.96	604,333.34	567,442.32	2,315,917.46	3.14
Santa Cruz	304,984.99	294,907.44	238,588.90	188,870.03	1,027,351.36	1.40
Mohave	500,739.44	449,697.10	408,398.44	394,933.40	1,753,768.38	2.38
State Wide	1,488,667.56	1,572,296.26	1,601,024.38	1,097,398.35	5,759,386.55	7.82

[1]Fourth quarter of 1939 included in order to show totals for a year's coverage. Reports for fourth quarter of 1940 not due from employers until after the Annual Report is required to go to press.

TABLE 20.—EXPERIENCE RATING: ANALYSIS OF POSSIBLE EMPLOYER EXPERIENCE RATINGS.

I Year	II Payroll	III Contributions	IV Credits[1]	V Cumulative Credits	VI Charges[2]	VII Cumulative Charges	VIII Reserve Balance[3]	IX Annual Payroll[4]	X Reserve Ratio[5]	XI Rate for Following Year[6]
A. Employer with Optimum Experience and Non-Variable Payroll:										
1936	$100,000.00	$ 900.00	.....	.....	.....	.....	.....	.....	.....	1.8%
1937	100,000.00	1,800.00	$ 800.00	$ 800.00	.....	.....	$ 800.00	.....	.....	2.7%
1938	100,000.00	2,700.00	1,700.00	2,500.00	.....	.....	2,500.00	$100,000.00	2.5	2.7%
1939	100,000.00	2,700.00	1,700.00	4,200.00	.....	.....	4,200.00	100,000.00	4.2	2.7%
1940	100,000.00	2,700.00	1,700.00	5,900.00	.....	.....	5,900.00	100,000.00	5.9	2.7%
1941	100,000.00	2,700.00	1,700.00	7,600.00	.....	.....	7,600.00	100,000.00	7.6	2.0%
1942	100,000.00	2,000.00	1,000.00	8,600.00	.....	.....	8,600.00	100,000.00	8.6	2.0%
1943	100,000.00	2,000.00	1,000.00	9,600.00	.....	.....	9,600.00	100,000.00	9.6	2.0%
1944	100,000.00	2,000.00	1,000.00	10,600.00	.....	.....	10,600.00	100,000.00	10.6	1.0%
B. Employer with Estimated Above-Average Experience (Charges Equal to ½ Contributions):										
1936	$100,000.00	$ 900.00	.....	.....	.....	.....	.....	.....	.....	1.8%
1937	100,000.00	1,800.00	$ 800.00	$ 800.00	.....	.....	$ 800.00	.....	.....	2.7%
1938	100,000.00	2,700.00	1,700.00	2,500.00	$1,350.00	$ 1,350.00	1,150.00	$100,000.00	1.15	2.7%
1939	100,000.00	2,700.00	1,700.00	4,200.00	1,350.00	2,700.00	1,500.00	100,000.00	1.50	2.7%
1940	100,000.00	2,700.00	1,700.00	5,900.00	1,350.00	4,050.00	1,850.00	100,000.00	1.85	2.7%
1945	100,000.00	2,700.00	1,700.00	14,400.00	1,350.00	10,800.00	3,600.00	100,000.00	3.60	2.7%
1950	100,000.00	2,700.00	1,700.00	22,900.00	1,350.00	17,550.00	5,350.00	100,000.00	5.35	2.7%
1956	100,000.00	2,700.00	1,700.00	33,100.00	1,350.00	25,650.00	7,450.00	100,000.00	7.45	2.7%
1957	100,000.00	2,700.00	1,700.00	34,800.00	1,350.00	27,000.00	7,800.00	100,000.00	7.80	2.0%
C. Employer with Estimated Below-Average Experience (Charges Equal to Contributions):										
1936	$100,000.00	$ 900.00	.....	.....	.....	.....	.....	.....	.....	1.8%
1937	100,000.00	1,800.00	$ 800.00	$ 800.00	.....	.....	—$ 800.00	.....	.....	2.7%
1938	100,000.00	2,700.00	1,700.00	2,500.00	$2,700.00	$ 2,700.00	— 200.00	$100,000.00	.....	2.7%
1939	100,000.00	2,700.00	1,700.00	4,200.00	2,700.00	5,400.00	— 1,200.00	100,000.00	.....	2.7%
1940	100,000.00	2,700.00	1,700.00	5,900.00	2,700.00	8,100.00	— 2,200.00	100,000.00	.....	3.6%

[1]Credits to employer's account include only those contributions **in excess of 1 percent** of their payroll
[2]Charges to the employer account are based on benefit payments made to his former employees
[3]Amount in Col. V minus amount in Col. VII
[4]Averaged for last 3 or 5 years, whichever is higher
[5]Amount in Col. VIII divided by amount in Col. IX
[6]Note that contribution rates in this column apply to the year **following**, rather than to the year opposite which shown

INDEX

A

PAGE

Active File
by months, 1940 ... 26
size of ... 27

Administration Account ... 23

Administrative Costs ... 20

Administrative Funds ... 10, 19

Age Distribution of Placements, 28, 71

Amendments ... 11, 13

Amendments, Recommended
benefit provisions ... 33
experience rating ... 48
with respect to administrative body ... 21

Appeals ... 33

Applications for Employment ... 26

Arizona Unemployment Compensation Commission (see Unemployment Compensation Commission)

B

Base Period ... 36

Benefit Amount
(see Weekly Benefit Amount)

Benefit Payments ... 31
accounts opened ... 75
amount by counties, 1939-40 ... 32
amount by industries, 1939-40 ... 34
amount by months, 1938-40, 12, 15
checks issued ... 75
statistical tables ... 65, 75-79

Benefit Trust Fund ... 22
transfer to railroad account ... 20

Benefit Year ... 37

Benefits
claims ... 74-75
disqualifications ... 42, 45
duration ... 42
eligibility ... 40
minimum duration ... 39
multi-state ... 31, 44
of students ... 20
procedures ... 31
recommended amendments ... 33
to military enrollees ... 41
weekly amount, minimum and maximum ... 38

Budgets, Approved ... 21

C

PAGE

Car Icing Industry, Seasonality of ... 19-20

Charts
benefit payments ... 12, 15, 32, 34
claims ... 30
contributions ... 15
covered employees ... 57, 59
placements ... 9, 26, 28
unemployment compensation benefit fund ... 15
wage payments ... 46, 55

Claimants, Number of ... 31

Claims
initial and continued ... 30
statistical tables ... 74, 75

Clearance System in National Defense ... 7

Commission (see Unemployment Compensation Commission)

Commission Salesmen, Benefits of ... 60

Contributions
amount by months, 1937-40 ... 15
basis of ... 56
(see also Experience Rating)

County Statistics
covered employees ... 59
wage payments ... 55
(see also Local Office)

Coverage
activities, 1940 ... 58
number of employees ... 57, 59
statistical tables ... 80-81

D

Development of Unemployment Compensation ... 7

Dictionary of Occupational Titles 27

Disqualifications for Benefits ... 42
because of marital status ... 45

Duration of Benefits ... 42

E

PAGE

Employment Service
- administration account 19
- and national defense 7, 27
- functions 27
- number of placements 9-10, 27, 65, 67-74

Employment Stabilization 7-8

Experience Rating 8
- actions of Commission 17
- in other states 49
- maximum rates in other states 53
- minimum rates in other states .. 54
- percentage for reduced rates in other states 52
- possible ratings 84
- recommended amendments 48
- record for the year 47

F

Farm Placement Service 29

Federal Legislation 15
- contributions 56
- $3,000 limitation 17

Federal Reorganization Plan (see Social Security Board)

Financial Statement 23

Fiscal
- management 23
- procedure 19

Fraudulent Claims 33

Funds, Management of 19

I

Industrial Distribution of Placements 28, 72

Informational Service 60

J

Junior Counseling 29

L

Labor Disputes 18

Legal Unit 60

Legislative Action in Regard to Railroad Transfer 20

Local Offices, Statistics on 30, 32, 67-69, 73-74

Lumbering Industry, Seasonality 19-20

M

PAGE

Marital Status as Cause for Disqualification 45

Merit Rating (see Experience Rating)

Merit System 18, 25

Military Enrollees, Benefit Rights 41

Multi-State Benefits 31, 44

N

National Banks, Coverage 56

National Defense Program 7, 27

O

Occupational Dictionary (see Dictionary of Occupational Titles)

Occupational Distribution of Placements 28, 70

Official Interpretations 60

Organization of Commission 10, 19

P

Placements
- age distribution 28, 71
- distribution by occupation 28, 70
- industrial distribution 28, 72
- men, women, and veterans 11
- number, 1940 ..... 10, 67-72
- number by months, 1940 26
- private, by months, 1940 26
- statistical tables 67-72

Procedures, Benefit 31

Purchasing and Procurement Regulations 18

Purpose of Unemployment Compensation 7, 13

Q

Qualifying Period 36

R

Railroad Transfer 20

Recommendations for Amendments (see Amendments, Recommended)

Regulation No. 29 17

Regulations, Purchasing and Travel 18

Reorganization, Federal (see Social Security Board)

Rules (see Special Rules)

S PAGE

Seasonality 19
recommendation regarding..... 42
Simplification of Benefit Formula 35
Social Security Act
(see Federal Legislation)
Social Security Board
relations of state agencies to.... 12
reorganization 19
Special Rules Numbers 2, 3, and 5 19-20
Stabilization of Employment
(see Employment Stabilization)
State Legislation
benefits 35
experience rating 49
Statistics 61
benefit fund..... 15
benefit payments 12
15, 32, 34, 65, 75-79
claims 30, 74-75
contributions 15
coverage 66, 80-81
covered employees.....57, 59
placements.....9, 26, 28, 65, 67-72
wage payments....46, 55, 66, 82-83
Students, Eligibility for Benefits 20

T PAGE

Three Thousand Dollar Limitation 17, 56
Training Program 60
Travel Regulations 18

U

Unemployment Compensation Benefit Fund..... 23
balance, 1937-40 15
Unemployment Compensation Commission
amendments concerning 21
meetings held..... 17
salaries of commissioners..... 21
Unemployment Compensation in Other States..... 15
Unemployment Compensation, Purpose 7, 13
Unification of Commission's Two Divisions 10, 19

V

Veterans Placed 11, 29
Veterans' Placement Service..... 29

W

Wage Payments
amount by industries..... 46
by counties..... 55
statistical tables 82-83
Waiting Period..... 37
Weekly Benefit Amount..... 38

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